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and BUSINESS ANALYST

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With The Editors

Protective Committees

During the past depression as in all previous major economic upheavals, many security holders have lost substantial parts of their investments through bankruptcies.

"All of my past savings are gone!" "Is there no method by which I can salvage at least part of my investment?" "Have I no way to voice my own opinion in connection with straightening out this company's affairs?" These and many similar questions taken at random from our files testify fully to the dire cries of many of the people who ask "what can be done about it?"

Yes, there are some things that may be done about it. The main purpose of so-called "protective committees" is to keep the investor free from the exploitation of the unscrupulous. But one should first make sure that the members of the protective committee have not only legal acumen but a thorough knowledge of the business and industry.

Our intention is not to state that all protective committees are composed of ruthless individuals attempting to further their own welfare and financial gain. In truth there have been many composed of fair-minded men who have efficiently brought about satisfactory reorganizations. On the other hand, one of the unfortunate results of the depression has been the out-cropping of the "protective committee business." It offers a most fertile and lucrative field to members of the legal profession and to many others who aim to weed out the stockholders of defunct corporations. Through carefully worded letters and brochures, the stockholder is made to feel his only hope of salvaging any substantial portion of his original investment is for him to deposit his securities and authorize this committee to act fully for him.

It is a rather singular fact too that many protective committees are composed of one or more of the same people who make it their business to go from one company to another in search of new opportunities for their activities. We were also somewhat surprised to learn that the protective committee acting for Kreuger & Toll stockholders voted themselves $290,000—an amount equal to about one third of the total value of the deposits it obtained A tidy sum! Of courses there is no question about the fact that they are entitled to payment for their endeavors and services. That proportion however seems somewhat out of all reason.

We feel that those who are the victims of large losses should certainly be free from exploitation of this kind. What has gone before cannot be mended now but surely this subject is one that needs the careful consideration of all stockholders who are faced with this problem in the future. We are not suggesting penetrating governmental investigations of the activities of any of these groups; possibly the torchlight of publicity will suffice to overcome this evil. In any event investors as a whole will do well to consider carefully not only the plans of all committees formed to "protect" their interests but the personnel of these committees as well.

IN THE NEXT ISSUE

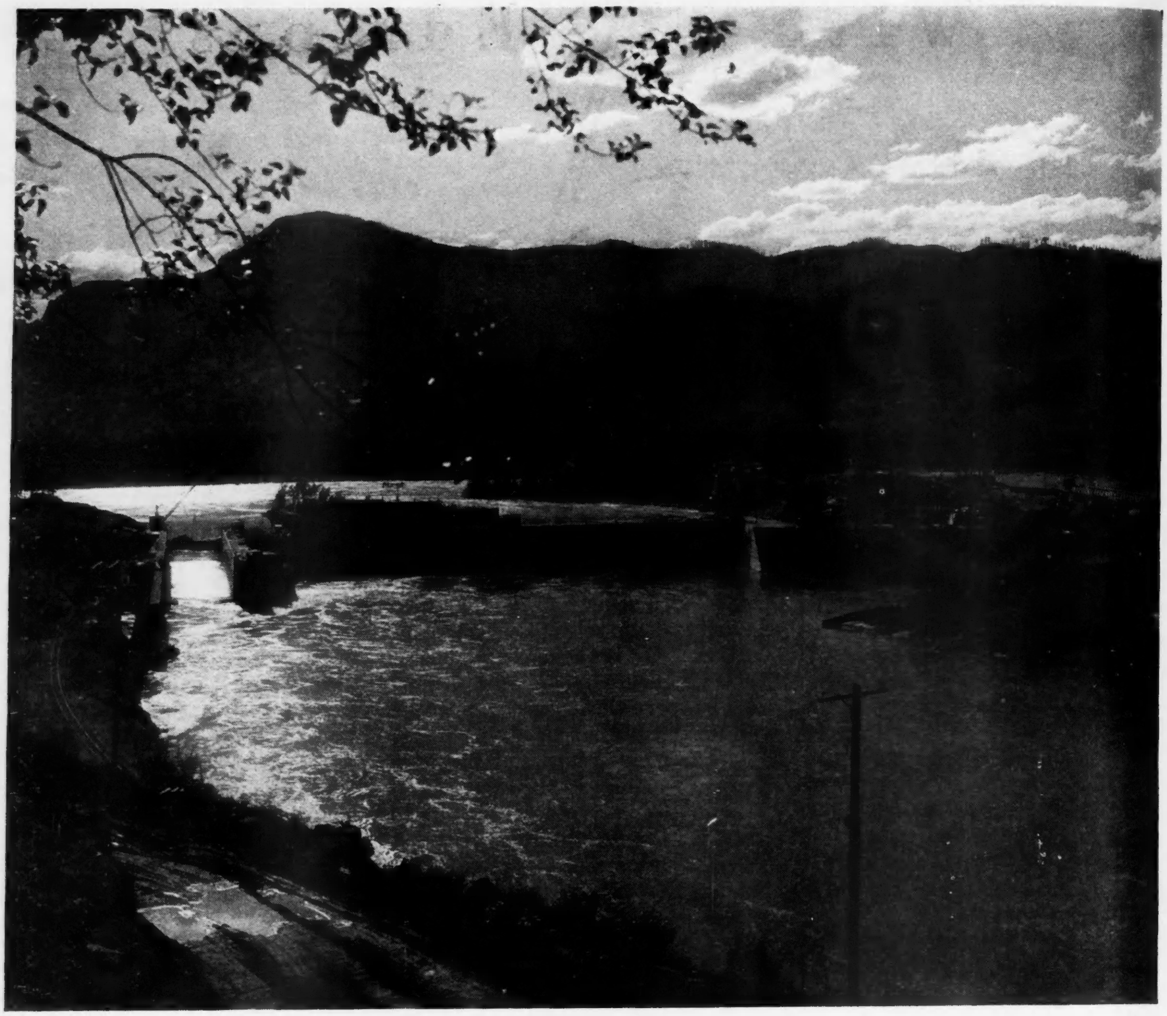
Head-On Inflation Through Commodity Prices

Counselling the Businessman and Investor

BY NORMAN TRUMBULL CARRUTHERS

Quarterly Review of Market Leaders

BY STANLEY DEVLIN

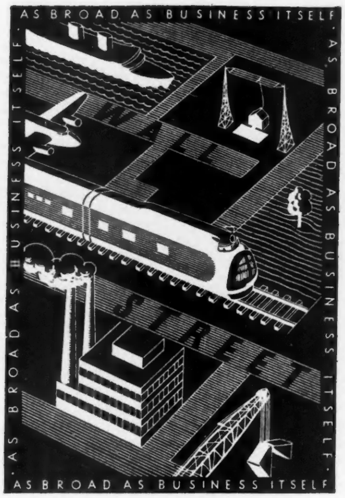


Triangle Photos

Power ultimately to be generated at the Government's Bonneville Dam on the Columbia River, now almost completed, will be two and one-half times the existing electric capacity of that entire area. Who will use it? See what Federal Power Means to the Public Utilities, Industry and Investors on Page 754.

THE MAGAZINE OF WALL STREET

E. Kenneth Burger, *Managing Editor* : C. G. Wyckoff, *Publisher* : Theodore M. Knappen, Laurence Stern, *Associate Editors*



The Trend of Events

FLOUTING THE LAW . . . In Michigan sit-down strikers and their union leaders continue to flout the law and the courts. It is obvious that this epidemic of illegal property seizures began when the General Motors strikers demonstrated that the State authorities would refuse to enforce court-ordered eviction because of fear of bloodshed. Flagrant violation of law feeds upon itself, breeding imitation ever faster. The sympathetic Governor Murphy gave Michigan's militant labor an inch. Presuming upon his sympathy, it has taken a mile.

Now it is suggested that some legislative remedy be sought—but if union leaders can ruthlessly over-ride existing law what reason is there to suppose that they will obey a new law if and when it appears to conflict with their purposes? In the final analysis, the only way to uphold the law is to enforce it. If this should result in bloodshed in Michigan it will be because a well-meaning Governor made the mistake of not taking a firm stand in the first instance.

Sit-downers got out of the Douglas plant in California when the law enforcement authorities made it perfectly clear to them that they would be put out, with or without bloodshed. The authorities in Illinois, New York, New Jersey, Massachusetts and other states have taken similarly firm positions. In none of these has there been any slaughter of recalcitrant workers by police or militia. None is needed in Michigan. The longer that state's officials dodge a show-down, the worse the situation will become and the harder will be any reversal of policy. It does not pay to temporize with law breakers. When the courts can be mocked with impunity, there will be no security for anyone, including workers and labor unions.

PREVENTING INFLATION . . . The Chairman of the Federal Reserve Board warns that we are in danger of a destructive inflation, but blames it upon non-monetary factors. The recent sharp increases in commodity prices, he says, are due mainly to the world armaments race, to strikes and to monopolistic practices both in organized labor and in industry. The chief safeguards he suggests are increased production and a balanced Federal budget, by increased taxes if necessary. He argues against any reversal of the Administration's easy money policy.

It is true that the non-monetary factors cited are the most direct causes of rising prices, but it is also true that the money supply—bank deposits—plays a permissive role. Largely through deficit financing, the Administration has inflated bank deposits to a level $2,000,000,000 higher than in 1929. It is to be doubted that even a cessation of further bank deposit inflation

would necessarily prevent a boom, for normal turnover of existing deposits would support a business volume far higher than we have ever known.

There is considerable historical evidence to suggest that the only effective remedy is to raise interest rates and raise them until the desired reaction is experienced. At the top of a vastly inflated era, as in 1929, that would mean a great and protracted deflation. In the present setting, with recovery incomplete and little speculative credit outstanding, it would mean no more than a corrective interlude. In the face of such strongly inflationary non-monetary influences, there is a bigger chance that a turn to a hard money policy would prove ineffective than for it to start a spiral of real deflation. Meanwhile, we see little—aside from the Treasury's own refunding needs—to support the policy of dirt cheap money. Today, for example, the commercial paper rate is 3/4 of 1 per cent. Toward the close of 1922 it was 4 1/2 per cent, but that rate did not prevent or slow down the recovery then in progress. It would probably be a good thing if everybody, including the Treasury, had to pay more for credit. Restrictive policy could be reversed again, if the actual needs of business so dictated. Meanwhile, the longer application of the brakes is withheld, the greater the risk grows.

RECOVERY IN BUILDING . . . Volume of residential building during the first two months of the year was 105 per cent higher than a year ago, although, due largely to the slowing down of the P W A program, total construction for this period showed a gain of only 33 per cent. Because of the large number of persons employed and the quantities of materials required, the trend of construction this year will have an important effect on total economic activity. The building outlook remains generally favorable—but is not without some clouds.

It can be taken for granted that the large increase in residential building in January and February was due in part to an abnormally mild winter. Thus, some of it represented projects that would otherwise have been started in the spring. It is probable, too, that in part it reflected anticipation of higher costs of materials and labor. Prices of building materials are now back to the boom time level and in some instances above it, although present demand is only half that of the boom period. Moreover, shortages of skilled building craftsmen are beginning to be felt, for few apprentices entered this field during the depression years and deaths of older workers or transfers to other occupations have reduced the total.

For the present, although the rise in residential rents has slowed down in reflection of new homes coming into the market, speculative builders argue that rising costs are actually stimulating construction, since buyers anticipate still higher prices. That is subject to doubt, for no one knows how much bigger the volume would have been at lower prices nor does anyone know how many projects are revised as to size or quality of materials because costs have outrun original plans. Certainly for the longer term, excessive costs will limit the recovery of a vital sector of our economy.

REPEAL THE CAPITAL GAINS TAX . . . The apparent indifference of the Administration to growing criticism of the capital gains tax is difficult to understand. Here, if there ever was one, is an unscientific and uneconomic tax. As publicly pointed out by Morris S. Tremaine, Comptroller of the State of New York, it does not produce the revenues that were expected of it; it tends to force American capital into foreign security markets at the rate of hundreds of millions of dollars a year; and it encourages investment by the wealthy in tax-exempt bonds.

Mr. Tremaine estimates that the tax is not only not productive to the Federal Government but actually deprives it of $250,000,000 a year as a result of the lower turnover tax on securities and as an indirect result of retarded economic recovery. This official's interest in the matter lies in his belief that, for the same reasons, it is depriving New York State of between $9,000,000 and $10,000,000 a year in tax revenues.

To these criticisms we would add that a penalty tax on security profits necessarily keeps a bull market on a somewhat artificial basis. Mr. Tremaine's views are not those of a "Tory" or a Wall Streeter. They come from a Democrat and the highest financial officer of the biggest state in the Union. As such, perhaps they will attract a little attention in Congress. We hope so.

REVENUES AND BUDGET . . . Preliminary reports on Federal income tax receipts indicate that the Government's income from this source in 1937 may be larger even than in 1929. It is therefore quite likely that the Treasury not only will do no more new borrowing from the banks but may actually begin to retire its present debt. That will be possible, however, only by utilizing Social Security revenues—against which a liability is set up for the future—and by spending recoverable assets as fast as they are recovered.

Unfortunately, even recovery of near boom proportions in business does not seem to make any appreciable dent in Federal spending, whether for relief or otherwise. The Government continues to run at a big deficit, even though cash income is coming close to cash outgo; and huge revenues appear significant chiefly because they permit our public servants to continue to spend in the style to which they have become accustomed.

THE MARKET PROSPECT . . . Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 736. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, March 22, 1937.

As I See It!

BY CHARLES BENEDICT

WHEN MAD MEN LEAD THE BLIND...

. . . angels weep. And spread their wings to break the fall of the simple and unseeing humans as they step over the edge. Otherwise, man would not survive his many vicissitudes.

Torn and bleeding, with their wounds still open, the people of Europe are again being rushed headlong into disaster. The last war has not yet been paid for, nor have the nations recovered from its enervating effects, yet they are already involved in a terrific armament race which menaces their whole economy and threatens financial ruin, if not the destruction of the entire European civilization. And what is more, it will inevitably involve the rest of the world, including the United States.

Already we are feeling the effects in the rapidly advancing prices for commodities due to the unprecedented demand for raw materials to be used in the manufacture of munitions and for reserves. This, together with the inevitable general currency devaluation, brings the spectre of disastrous inflation to our very door.

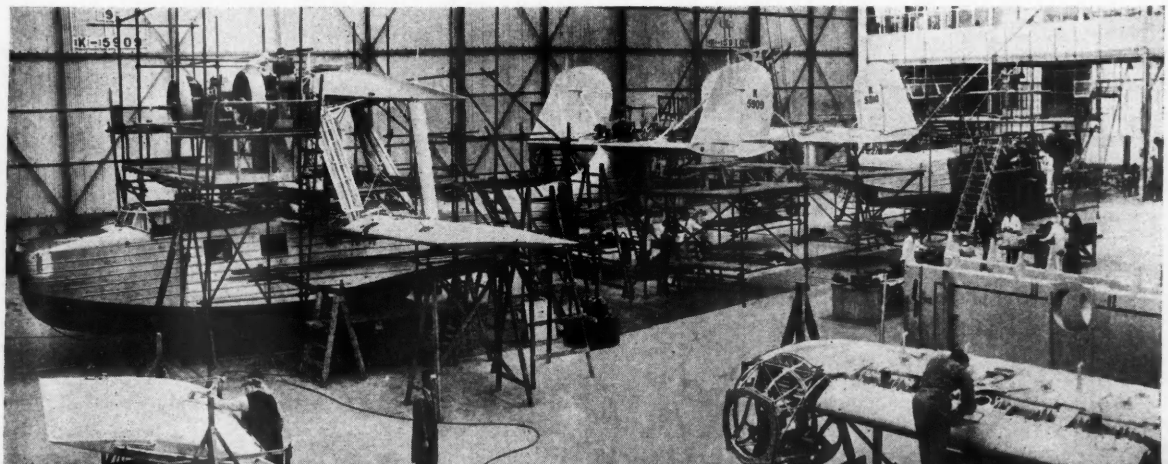
Germany's bankruptcy and her social and economic disintegration are self evident. Pity the people under the rule of gangsters!

France is trembling on the brink of active civil war resulting from unsound leadership dating as far back as the "tigerish peace terms" of Clemenceau. Today, economically at a low ebb, France again faces the tragedy of further devaluation.

In Italy economic figures have not been issued for two years so that the status of the country and its financial affairs are largely an unknown quantity; but the price of its currency is surely fictitious, and the country would be in virtual bankruptcy today were it not for outside financial resources available to the Italian State.

It is this particular situation that awakened England and which is responsible for her gigantic armament program. She had counted on the collapse of the Italian economy to dull the edge of Mussolini's ambition, for it is not Hitler that England fears but Mussolini whose realization of empire can only be at the expense of Britain. Besides, the Nazis have already passed the peak of their power everywhere.

Today, with the British Empire in jeopardy, almost her whole productive capacity is being absorbed in the manufacture of war munitions on such a vigorous scale as to greatly increase the price of raw materials and effect the value of sterling. This constitutes a grave danger to the whole world, including the United States, because of England's vast influence and the many currencies which are tied to the pound sterling. The germ of world inflation on a scale not yet seen lies in this situation.



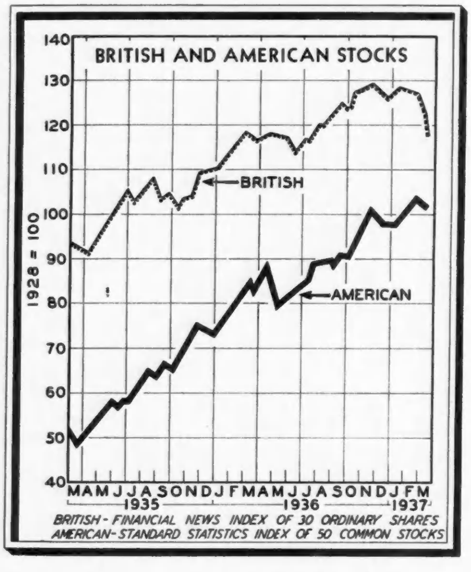
Pictures, Inc.

Construction of huge planes being pushed at Saunders-Roe, Ltd., Cowes, England, one of the largest aircraft works in the world.

The Market in the Next Quarter

BY A. T. MILLER

HAVING experienced the sharpest general reaction in several months, the market is probably close to a short-term rally. As has been the case in most reactions, weakness has been due rather more to withdrawal of demand than to any substantial increase in offerings. Decline has been most extensive in the limited number of groups recently prominent on the up side, such as steels and rails. Since the earnings trends in these groups are highly favorable, recession can probably be considered merely as technical correction of the recent over-fast advance and a good grade of demand is likely to be encountered in such reactionary periods as develop over the next few weeks.



As pointed out heretofore, the selectivity of the market was increasing for weeks prior to the current reaction. Many groups, including motors and accessories, utilities, building shares, farm equipments, cans, tobaccos, sugars, finance company stocks, variety chains and electrical equipments, were in negative or declining phases before reaction became general. As a result, a goodly portion of the market has had a greater correction than is indicated by the performance of the past week. It is therefore to be doubted that at present the general speculative position is top-heavy to any important extent.

This opinion does not imply that we favor any departure from caution and close discrimination in intermediate trading operations or new investment commitments, even though the longer business outlook remains favorable. As we see it, the major problem to be considered is not that of possible general liquidation, for we see no likelihood that it will develop—but the question of continuing investment demand. Despite a froth of speculation, cash investment buying has been the backbone of the market. The trend toward greater and greater selectivity during recent months indicates waning investment demand in many groups. This may be a temporary revision of earnings appraisals. Possibly at present or moderately lower levels some of the recently backward groups may again invite investment attention. On the other hand, due to the termination of the Government's deficit financing, investment purchasing power is not being created at the great rate of the past several years.

Moreover, due to substantially increased operating costs and some concern regarding consumer reaction to higher prices in coming months, there is a tendency to scrutinize earnings potentialities with somewhat greater realism. We have seen this in the prompt reaction of some leading stocks when published earnings statements did not come up to previous rosy expectations.

On the whole, therefore, we are inclined to view any near-term rally with a questioning eye and to look for irregular, if not moderately reactionary, tendencies in a majority of groups over the next few weeks. In any such further period of correction, however, we would be on the look-out for investment and longer range speculative opportunities in issues favored by prospect of sharply higher 1937 earnings. Heavy steels, the better grade rails and various specialties fit these requirements.

Added reason for some doubt as to the near-term trend of the market may be found in examination of the chart reproduced at the top of this article. It will be seen that industrials in the London market and our own industrials have followed a remarkably similar pattern during the past two years and that reactions in the London market have usually preceded reactions here. Since the start of this year British industrial equities have experienced a rather substantial decline. Recent reaction here preserves the similarity. It does not follow, however, that it must necessarily attain the scope of the British recession, which was due mainly to a marking down of the better grade dividend-paying equities in line with a bond decline induced by the impact of the heavy British borrowing for re-armament. We have no such factor here, although there is a partial parallel in recent sagging tendencies in United States Government and other gilt-edged bonds in reflection of a view that interest rates are on the way up, however slowly. It is probably safe to conclude that easy money as a bull argument on stocks has passed the peak of its influence and that increasing reliance must be put on the factor of earnings.

At first glance it appears paradoxical that the market became "jittery" at precisely the time that several

Recent extensive reaction probably justifies near-term rally, after which further test is likely. We look to irregular corrective phase over the next few weeks as opportunity for selective investment and longer-range speculative commitments.

prominent New Deal officials were giving public warning of the dangers of an inflationary boom. The answer is that uncertainty as to what the Administration proposes to do about the problem created nervousness sufficient to unsettle a market already in need of some correction. With trading and investment bids withdrawn or lowered, we had the familiar "thin market" reaction with little or no increase in volume.

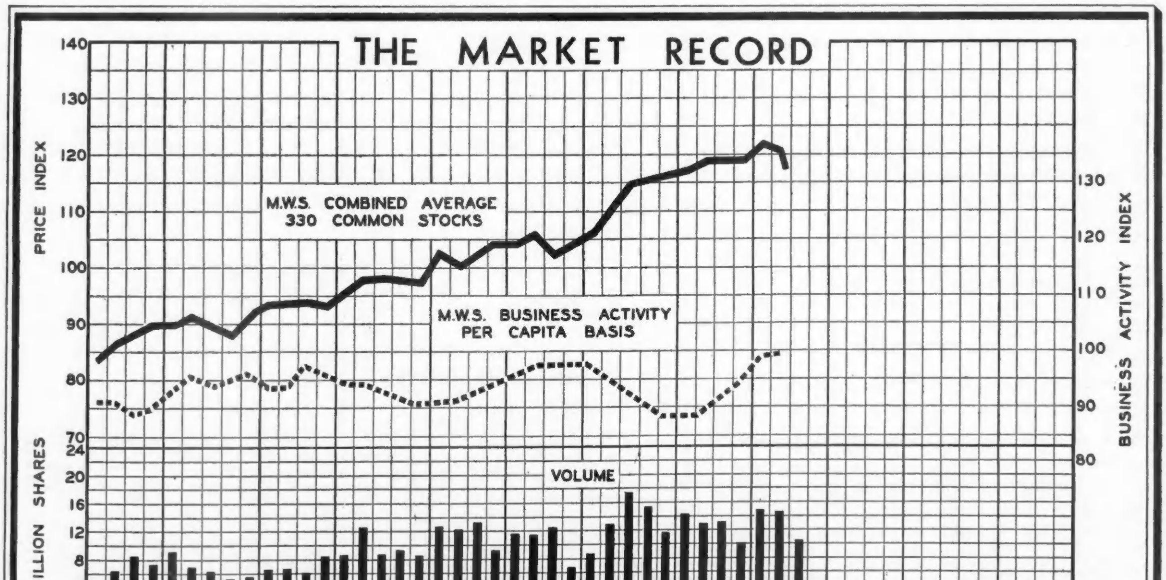
We are frank to say that we have no idea what the Administration will do, if anything, toward checking a price boom which the Chairman of the Federal Reserve Board blames chiefly on non-monetary factors such as the world armaments race, higher wages and shorter hours, and "monopolistic practices" by both some labor unions and some sections of industry. Chairman Eccles urged as safeguards a balanced Federal budget, by higher taxes if necessary; increased production; and, presumably, Government attack on labor and industrial monopolies.

Increased production will take time and will come about naturally as a result of profitable prices. Congress plainly has no stomach for higher taxes and talk of retrenchment can be taken with a big grain of salt. As for monopolies, it is a good bet that there will be a show of action aimed at some big corporations—which will take time and be of doubtful effectiveness—and that neither Congress nor Administration will do anything to alienate labor votes.

In fact the most interesting aspect of the situation is that some influential members of Congress appear to be distinctly annoyed at Mr. Eccles for his warning. The general tenor of cloakroom conversation among Congressmen is reported to be something like this: "We promised higher prices, wages and profits. Why should we turn back on this pledge? Prices aren't too high, except maybe in some manufactured goods and we can control that. Everybody wants prosperity. There's nothing dangerous in the picture. Let's not rock the boat, etc. . . . "

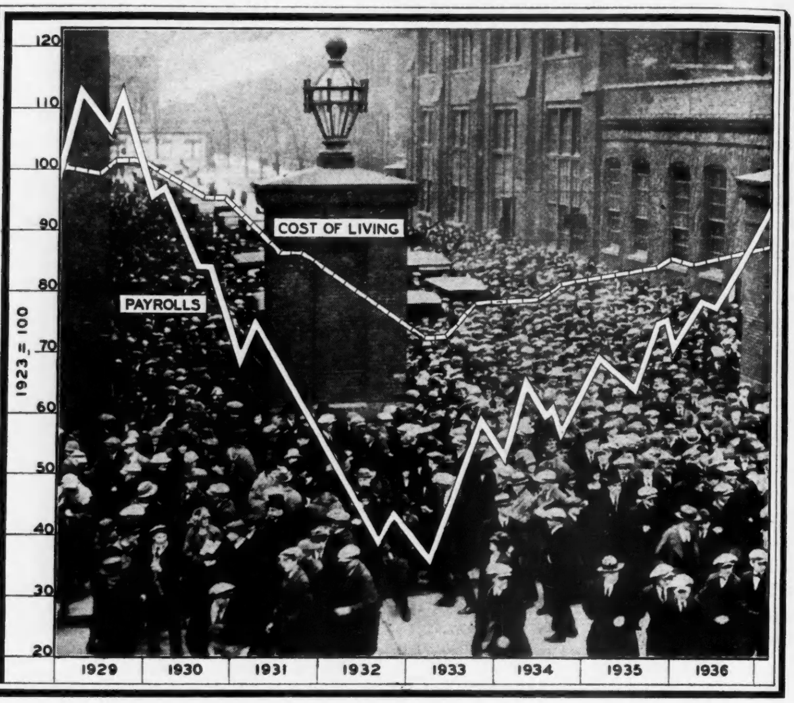
It is also illuminating to observe that some officials, notably Secretary of Agriculture Wallace, are using the specter of a run-away boom as an argument why the Government should be given greater regulatory powers by the method of changing the composition of the Supreme Court. The conjecture has been advanced by some opponents of the court plan that the Government desires power to regulate wages, hours and prices. It is quite possible that uncertainty on this point has contributed to nervousness.

The stock market, despite excellent business, can hardly be entirely easy in mind until the Administration decides what, if anything, it proposes to do.



Can Consumers Absorb Higher Prices Today?

BY JOHN D. C. WELDON



Recent months have brought spectacular wage increases in numerous manufacturing industries; farm income continues to run 14 per cent higher than a year ago; and there have been huge gains in dividend payments. Viewing these phenomena, various financial commentators, government officials and other observers of the economic scene enthuse over the "great rise in public purchasing power." Statisticians even figure out for us by exactly how many cents on the dollar the "average citizen" is now better off than he was a year ago.

Now there is no such thing as an "average citizen." Weekly income is a wholly individualistic thing and varies enormously from occupation to occupation. It follows that the "trend" of national purchasing power is a conglomerate of innumerable individual trends. Precisely as in the stock market, some of these individual trends of purchasing power are up and some are down. This is both interesting and important, for since most of us make a living by—in effect—exchanging our labor for the labor of the other fellow, a gain in purchasing power for one man may mean a loss in purchasing power for another.

Generalization is the curse of "the dismal science" of economics. We do not set out here to prove any preconceived notion as to the current trend of and prospect for the "average consumer's" purchasing power, but we know that prices of most goods have risen sharply in recent months; and we have reason to suppose that this rise will continue and that its impact will be felt increasingly in the cost of living; and we propose as best we can to take a realistic look at what is happening to the purchasing power of our various major occupational groups.

Under normal prosperity, about 40 per cent of our total population is gainfully occupied. For our purposes here, then, let us say that we are dealing with the purchasing power of some 51,000,000 individuals, of whom let us say 46,000,000 are gainfully occupied and 5,000,000 capable of gainful occupation are being supported by public relief. The evidence indicates that a *majority* of these 51,000,000 have more purchasing power today than they had a year ago—but the startling fact is that fully 20,000,000 appear to have less purchasing power than they had a year ago. Moreover, there is some reason to believe that about half of the 51,000,000 are *currently* losing purchasing power because *present* income is lagging behind the *present* trend in living costs.

For the present, therefore, the tendency of the upward wage-price spiral in important lines of manufacturing industry is to increase economic disequilibrium by raising living costs of millions of gainfully occupied persons whose incomes are not rising proportionately. We have here fuel for discontent among all groups whose purchasing power is lagging. We have here, also, a trend which, if continued, is quite certain ultimately to react unfavorably on business activity. Whether it

will reach the danger point will depend, obviously, on (1) whether incomes of the non-manufacturing classes increase or (2) whether the cost of living flattens out.

Before attempting to foresee future trends, let us have a look at the present setting. For our purposes, we will make the following rough occupational breakdown of the 51,000,000 with whose purchasing power we are concerned: Farmers, 10,000,000; manufacturing, 9,000,000; trade, 6,000,000; domestic and personal service workers, 4,500,000; clerical, 3,500,000; professional, 3,500,000; transportation and communication, 3,500,000; mining, forestry and fishing, 1,000,000; public services, including school teachers and military and naval forces, 2,500,000; construction, 2,500,000; on relief, 5,000,000.

For manufacturing workers and certain non-manufacturing groups we have adequate data on weekly earnings from the United States Department of Labor, the latest figures available being for December, 1936. Comparing these figures with corresponding figures for December, 1935, it is easy to get the change in money income. By adjusting income change to change in the cost of living, as compiled in the weighted index of the National Industrial Conference Board, we arrive at the change in real wages; and by making a different adjustment to the Fairchild retail price index we arrive at change in purchasing power in terms of general merchandise other than food. In the accompanying table these comparisons are made for fourteen occupational groups and sub-groups.

For other groups, including farmers, public service and relief clients, we shall have to rely on less adequate data, as well as on some generalized conclusions. It must be borne in mind as to all data that the official figures are from two to three months old and thus can not mirror the present situation. As a generality, however, it is probably true that the groups showing the largest gains in December, as compared with a year before, retain the advantage today; and that most groups lagging in purchasing power in the December comparison lag still more today—since wage increases in recent weeks have centered largely in manufacturing industry and since the pace of the rise in living practically all costs and in most retail prices of general merchandise has quickened materially since the first of the year.

The "average" worker in manufacturing industry in December got $24.85 in his weekly pay envelope, against $22.29 a year before. This was a gain of $2.54 per week in money income, a gain of $1.89 a week in real wages and a gain of $1.55 in ability to buy general merchandise such as clothing, house furnishings and sundries. Still larger gains were shown for building labor, the increase in real wages having been $2.76 per week and $2.36 in purchasing power for general merchandise. Comparable gains for bituminous coal miners were $2.32 and $1.97; and for brokerage employees were $1.11 and 58 cents.

For all other principal occupational groups, for which the Department of Labor supplies weekly earnings data, changes were nominal. Workers in wholesale trade in December were 20 cents a week better off in real wages than a year previously but less able by 19 cents a week to buy the general merchandise that they handled for others. In retail trade the comparable figures were 30 cents and 1 cent. In these two groups there are nearly 6,000,000 people. Since the cost of living since December has been rising faster than was the case last year and since there has been no general tendency toward materially higher wages in this field, it is a safe assumption that these 6,000,000 now have less purchasing power than a year ago and are losing more purchasing power each week as their incomes lag behind rising living costs.

Real Wages Lower

Real wages of telephone and telegraph workers in December were 17 cents a week lower than a year before and those of electric and gas utilities were up by only 22 cents a week. Although weekly earnings here are relatively good, purchasing power of these groups is currently declining. Hotel workers in December were receiving only $13.92 a week and had lost 19 cents a week in real wages during the year; workers in dyeing and cleaning establishments were down 4 cents a week in real wages and employees of laundries had a gain of 15 cents. The situation of these three groups may be taken as fairly representative of that of the whole field of personal service occupations, including domestic servants. Under this broad classification there are something like 4,500,000 persons. There can be little question that the cost of living at present is rising faster than their money incomes.

Data on earnings of clerical workers, who number some 3,500,000 and make up a goodly part of the white-collar class, is inadequate; but there never was a price inflation that did not leave them behind and the present one is no exception. By and large, the weekly real wage of this group probably is now less than it was a year ago and is declining.

The same is unquestionably and obviously true of employees of government, with few exceptions. Those

Weekly Earnings and Purchasing Power

	Dec. '35	Dec. '36	Money Increase	Real change in terms of: Wage Workers' Living Cost (*)	Real change in terms of: Gen. Merchandise Other than food(**)
All manufactures	$22.29	$24.83	$2.54	+$1.89	+$1.55
Coal, anthracite	28.08	29.41	1.33	+ .56	+ .16
Coal, bituminous	22.75	25.74	2.99	+ 2.32	+ 1.97
Crude Oil	30.09	31.31	1.22	+ .40	— .03
Telephone & Telegraph	29.25	29.86	.61	— .17	— .58
Electricity & Gas	31.48	32.45	.97	+ .22	— .33
Trade, wholesale	27.43	28.37	.94	+ .20	— .19
Trade, retail	19.62	20.45	.83	+ .30	+ .01
Hotels	13.75	13.92	.17	— .19	— .39
Laundries	15.71	16.28	.57	+ .15	— .08
Dyeing & Cleaning	17.74	18.17	.43	— .04	— .29
Brokerage	35.71	37.80	2.09	+ 1.11	+ .58
Insurance	36.59	38.25	1.66	+ .67	+ .13
Construction	25.10	28.60	3.50	+ 2.76	+ 2.36

(*) National Industrial Conference Board Index. (**) Fairchild retail price index.

on the regular Federal payroll in December numbered more than 1,147,000, including the military. Adding employees of state, county and municipal governments, including school teachers—who alone number more than 850,000—this group totals more than 2,500,000.

Since the scales of public relief, both Federal and local, lean to the rigid side, it follows that in the "reliefers" we have another group of 5,000,000 or so whose buying power is less than it was a year ago and is declining at present.

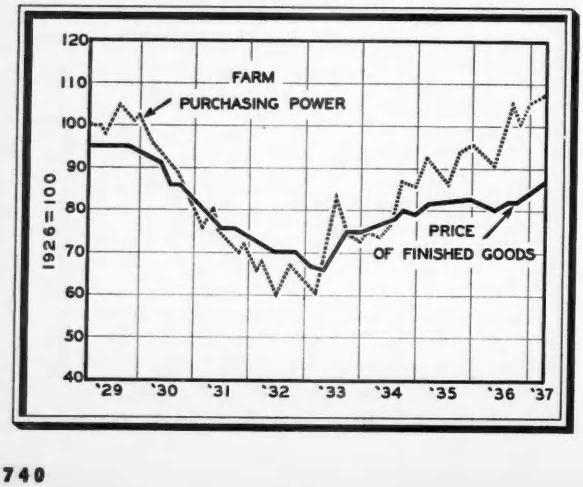
Lumping together workers in wholesale and retail trade, public utilities, clerical employees, the personal service groups, employees of government and individuals on the relief rolls, we are probably not far from the mark in concluding that the real wages of at least 40 per cent of the working population, including employable "reliefers," are at present declining.

Primary Price Increase

Will these trends continue? Any answer must rest largely on opinion, but for what it is worth, this writer's opinion is that the higher primary prices established during the past four or five months will inevitably be increasingly reflected in the cost of living over the next six months even in the improbable event that wholesale prices should stabilize around present levels.

Typical of what can be expected, present wholesale markets suggest that when consumers go into the stores next autumn they will find men's suits $3 to $5 higher than last autumn; cotton underwear 7 to 10 per cent higher; men's shirts 10 to 25 per cent higher; women's apparel 10 to 20 per cent higher; linen goods 15 to 30 per cent higher; and furniture and floor coverings 10 to 20 per cent advanced.

Now it is possible, even probable, that substantially enlarged planting of farm acreage will mean that the consumer will get a break on food costs, which figure very largely in the budgets of the low-income groups. Food, in fact, is given a weight of one-third in the cost of living index of the National Industrial Conference Board. It is to be doubted that its retail price will undergo any major decline this year, for the country seems to be infected with a very fever of price-raising, but a flattening out of food costs at present levels would be at least negatively favorable in conserving the consumer's purchasing power. That wholesale indexes



sometimes mean little to the retail buyer, however, is suggested by the fact that whereas food prices now are shown to be less than 5 per cent higher than a year ago in the official indexes, a recent survey in New York City by a leading newspaper showed that representative subsistence menu for a family of four in the lower middle income group—a menu approximating that designated as necessary by the Department of Agriculture—now costs $10.91 per week against $9.90 a year ago, an increase of about 10.2 per cent.

Even allowing for possible flattening out of the trend of food costs in coming months, it appears probable that the number of consumers whose real incomes are declining will tend to increase. Not only is there scant prospect of weekly earnings gains larger than the increase in cost of living among the lagging groups heretofore discussed—groups which because of lack of organization or more fundamental reasons find it difficult to better their lot—but rising living costs will increasingly cut into the real wages of others now rejoicing in recent wage increases as the resultant higher retail prices begin to be felt. This is the wage-price spiral—higher wages in manufacturing without equivalent increase in productive efficiency, higher prices, then insistent demand for still higher wages to meet the higher living cost, and so on until consumer purchasing power is hopelessly crippled and the inflated price structure takes a nose dive.

The last time this country went through that sort of thing was right after the close of the World War, when goods were scarce, labor could virtually write its own ticket and the sky seemed the limit. The penalty was paid in the 1920 price collapse and in inventory losses which put a bad dent in many a corporation and wrecked more than one.

Whether shrinkage in real income will extend to an actual majority of the gainfully occupied will depend in large measure upon what happens to farm purchasing power this year, for here some 10,000,000 people are directly affected and the exchange value of their products is a very important business factor both in its relation to trade volume and in its bearing upon the equilibrium of the economic system. Farm income in January, the latest official figure, was $626,000,000, a gain of 14 per cent in a year. It is worth noting, as a basically unfavorable thing, from the point of view of economic balance that this increase was due entirely to higher prices, since physical volume of products sold was down 6 per cent for the year. In other words, non-agricultural classes paid more and got less, which means that in effect upon total purchasing power the farmers' large gain had a considerable offset in lower real incomes for various other classes.

The Department of Agriculture's index of the unit exchange value of farm products (1909-1914 = 100) advanced 10 per cent last year, reaching 98 in December and spurting 4 points to 102 in January. The huge advance in farm purchasing power during the last four years explains why trade volume in agricultural areas heretofore has tended persistently to show larger gains than in industrial regions.

It need hardly be said that forecast of future farm income and purchasing power is subject to a large possible margin of error (*Please turn to page* 791)

Sovfoto

World Peace Hangs on 1937 Crops

BY C. S. BURTON

THE world is short of food supplies. Feed grains in reserve are lower than at any time in 42 years. The momentary market situation is accentuated by European buying. The lowering war clouds have caused a stock taking, an inventory of the cupboard, smokehouse and grain bins; with the thought of what it takes to feed armies on the march and the denial that civilians at home must practice. Even though troops now move by lorries and troop trains, the camp kitchens must, like Gunga Din, be "waitin' fifty paces right flank rear."

Perhaps we have not appreciated how necessary it was for Italy to win the "Battle of the Wheat" before the invasion of Ethiopia could be contemplated. Germany's efforts to provide substitutes, "ersatz" products, have like significance. The world's freedom from the specter of famine has been due to our advances in transportation and in the handling of foodstuffs in transit, quite as much as, or possibly more than, the mechanization of agriculture; and international trade, where these advances are to be felt, is at a low ebb.

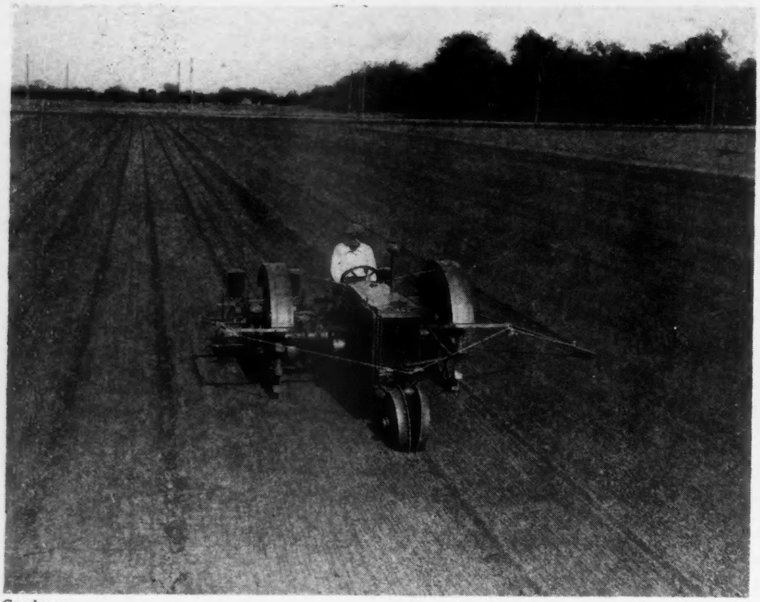
Nations can arm in haste, put factories on a basis of three shifts per day, but nature takes her wonted time from planting to harvest, and the harvest still depends on temperature, sunshine and rainfall. In wartime or peace time, the 2,013 million people in the world must eat, and they require about the same amount of food from day to day. That the food so required may be forthcoming requires that some 1,301 million people shall be engaged in agriculture—65 per cent of world population. When the regular flow of foodstuffs along the channels of trade is disturbed or about to be disturbed, the thought of reserves of a well stocked larder, full grain bins, becomes uppermost and wars are not to be rashly undertaken with scanty food supplies behind the lines. We may safely set up the postulate that the powers, over whom the war clouds hang low, are not going to speak in too bellicose a vein if the future holds a threat of empty stomachs. Bread must be had and wheat requirements become an item of required study. Wheat and rye, meat and potatoes, beans and tinned fish.

It is practically impossible to materially hasten any change in the diet of a people, new items of food added to every day menus make slow progress and bread is still the staff of life.

In Great Britain, Ireland, the Netherlands, France, Italy and the Balkans, the people eat wheat flour bread. If we run through the catalogue of the nations, keeping in mind the idea of daily consumption, we can begin to see why wheat holds the place it does in world commerce; although there are other items that come to more in dollars and cents, milk and poultry products, for example. Milk means bread and milk, and a poached egg means toast.

To consider the threats of war in conjunction with food supplies, one naturally thinks first of Germany, where troops march and countermarch and the martial spirit is kept whipped up by constant agitation.

Germany's agriculture, in a year of bumper crops just suffices to meet home demands, without a carryover



Gendreau

More acreage is being planted this spring to meet increasing demand.

against the probable leaner year to follow. Germany's industrialization is so complete that the agrarian markets of Eastern Europe are to her literally a matter of life and death, food or chilling hunger, and the armies must be fed, in barracks or on the march.

Germany furnishes a market for the farm products of Poland, 14 per cent; of Czechoslovakia, 16 per cent; of Austria, 17 per cent; of Hungary, 30 per cent; of Bulgaria, 49 per cent; of Rumania, 20 per cent; of Jugoslavia, 36 per cent; of Greece, 45 per cent; of Turkey, 64 per cent. All of which means that Germany pays correspondingly in money, or in goods, and if in money, then in money derived from the sale of goods elsewhere. What part of these imports and the corresponding payments therefore relate to food? In 1929, Germany's bill for imports was $5,630 million. The world was still on the gold standard in 1929 and the dollar figure means the dollar before its devaluation. Of this sum, $4,400 million was paid for foodstuffs; 80 per cent of German money, expanded outside her own borders bought wheat and pork and other things to eat.

In 1935, the corresponding figures were an import total of $1,680 million, of which $1,400 million was expended for food, raw materials and semi-manufacturers; 83.5 per cent. The food item alone was $600 million.

Without regard to any general economic condition, it becomes plain that the German belt has had to be tightened. Her own production plus $4,400 millions of imported foodstuffs, as compared with her production plus $600 million devaluated dollars for like imports means that the German table, proverbially heavy laden, must note the absence of many favorite dishes. Her imports of beef have declined from 18.3 million pounds in 1931 to 5.5 million pounds in 1935.

Under such conditions any outbreak of hostilities could hardly be contemplated. Germany had good crops in '32 and '33 but no carryover. Her 66 million people need, each year, about 3 bushels of wheat per capita, equal to 198 million bushels. Average production 1929 to 1934 inclusive — 6 years — was 145,671,000 bushels, call it an annual deficit of 55 million bushels of wheat. Germany uses more rye than wheat for bread and usually has just about enough production to cover her needs,—per capita consumption about 5 bushels. She eats no mutton, her meat is pork; and today her shortage of oils and fats is a most pressing problem. No background for marching brigades going into action, east or west; not until the nation can either buy more or raise more, and achieve something more than a mere normal carryover.

No wonder then that the crop prospect of this year's harvest in all of Central Europe is of vital concern to Germany's plans. Her threats, or the war-like gestures of Il Duce are empty until the crops are safely garnered in late summer. While Germany has built up her hogs in numbers to about her normal figures, the nation is a heavy importer of bacon and lard. Margarine and butter, lard and other fats are now rationed on a plan of consumption vouchers allowing poorer people to buy restricted amounts at substantially less than the fixed prices. These vouchers are used by some 20 million people. Retailers are obliged to register all customers, rich or poor, and consumers may buy only where enrolled.

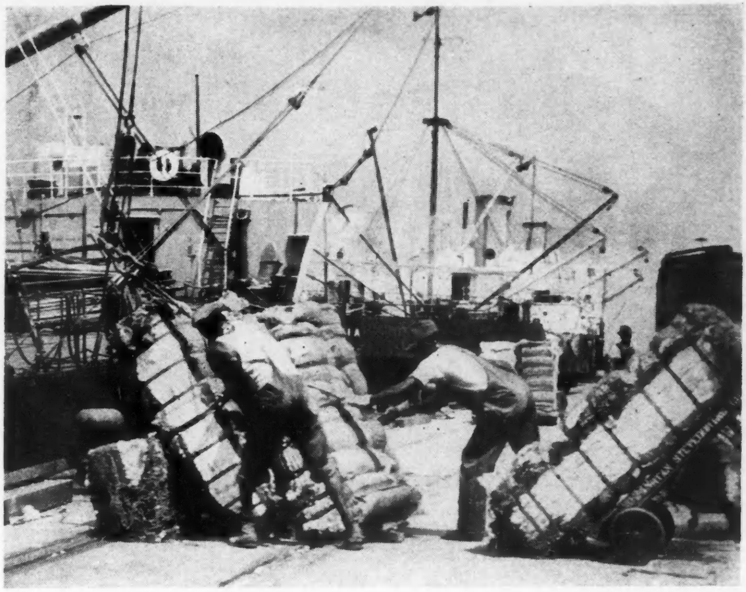
We have treated this one situation at such length in order to support our thesis that *peace or war, in the immediate moment, hangs on the crops.* With a whole nation already on a rigid wartime diet, peace is imperative for that people. Germany is about 14 per cent larger in area than the State of California; her acreage devoted to wheat runs around 5½ million acres, and her harvests from 30 to 32 bushels to the acre. They are good farmers, but the wheat harvest and the population are not in a ratio to allow comfortable feedings.

If we cross the Rhine into France, we find ourselves in a land where wheat is wheat, and per capita consumption between 8 and 9 bushels per annum—for her 42 million people. Ordinarily, France is self-sufficient as to grain, and imports wheat only to improve the milling qualities of her own grain, which is not of the highest grade. Her 1936 crops are reported as: corn, 22,046,000 bushels; potatoes, 550 million bushels; sugar beets, 8,880 thousand short tons. As to meat, France imports substantial quantities of beef. The economic situation manifests itself in the decline of such importations from 118 million pounds in 1931 to 25.5 million pounds in 1935. Just now something over half of the importations come from Madagascar.

France's exports have been classed largely as luxuries for the rest of the world; fine wines, textiles, perfumes and cosmetics, she leads the world in trade in such items.

We have already referred to Italy's Battle of the Wheat. Notwithstanding the proclaimed success of this

struggle to provide bread grain, Italy is a substantial importer of foodstuffs under difficult conditions. Her national revenues depend upon her exports, her tourist trade and the remittances from emigrants. Italy sells abroad silk, wines, some early fruits and vegetables, some textiles. Items which find a ready enough market if her customers are prosperous, but which are not indispensable. Italy has surplus man power, but immigration regulations, in no small part, prevent Italian labor seeking a market for its services abroad. Italy is obliged to remain largely an agricultural country, but her homeland is only 120,000 square miles in area, of which only about two-thirds is tillable, and there is a population of 42.5 million to be supported. Also, there is the cost of the Ethiopian expedition, which will continue to show on the debit side for years to come, before the hoped-for supply of raw materials will be available from the newly conquered territory in Africa. Reports just now available give Italy's wheat crop of 1936 as 227 million bushels; her ordinary consumption is about 7 bushels per capita or around 296 million bushels. For starch, Italy relies upon her macaroni and spaghetti. Potatoes are of no such importance as in Germany. In 1936, Italy grew 93 million bushels of potatoes, whereas Germany sacked nearly 1,750 million bushels. Of corn Italy shucked 119 million bushels, rice was 940 million pounds. In addition to this production, Italy buys cattle, 141,000 head in 1934. Also, 49 thousand tons of refrigerated meat and smoked and salted fish in the sum of 232 million lire ($20.6 million) in 1930 and 128 million lire ($6.7 million) in 1934, which again points to drastic restrictions in diet.



Nesmith.

Loading Cotton in Alabama consigned to World Markets.

No matter how belligerent may be the tone, in which Il Duce may speak for the world to hear, Italy could not face an enemy on any even terms and long maintain the struggle. The food supply is a crucial factor and much depends on the harvest of 1937 in patterning the peace or war policy.

In world markets, sugar is almost the only food item of universal use that is perennially in over-supply; sugar and coffee, and in these items there is the problem of translating desire into effective buying power.

Just as this is written, England's ex-premier, Lloyd George, has taken the British Ministry to task for expenditures on the army, the navy and aviation, while neglecting the national cupboard. As is well known, the British Isles have always had to depend upon "off shore" food supplies. In his usual dynamic oratory, the little Welshman declared the matter of food supply to be the "weakest front if war were declared tomorrow." While Lloyd George advocated an increase in home production, the ministers stood for the policy of increasing food imports, warehousing reserves rather than to try to grow more at home. That explains Britain's heavy purchases of canned goods and other staples in increasingly large quantities. Our biggest customer is likely to become still bigger.

The British Isles constitute the leading wheat importer of the world. Their area is about that of the State of Arizona, 112,543 square miles, this includes England, Wales, Scotland (*Please turn to page* 786)

The World Wheat Record

All figures are millions of bushels

Year	U. S. Production	Canada, Argentina and Australia Production	European Production	World Production	Net Exports from Russia	Total Present* Supply	Total Disappearance
1927-28	875	880	1,274	3,673	5	4,365	3,612
1928-29	914	1,076	1,410	3,996	...	4,749	3,722
1929-30	823	595	1,451	3,574	7	4,608	3,665
1930-31	886	867	1,360	3,847	112	4,902	3,848
1931-32	936	732	1.436	3,860	70	4,984	3,943
1932-33	757	898	1,492	3,865	17	4,921	3,779
1933-34	552	745	1,745	3,809	34	4,985	3,818
1934-35	526	650	1,548	3,514	2	4,683	3,763
1935-36	623	560	1,576	3,553	29	4,502	3,755
1936-37	627	573	1,490	3,432	....	4,179	.....

* Ex. Russia and China.

John Bull Goes Co-operative

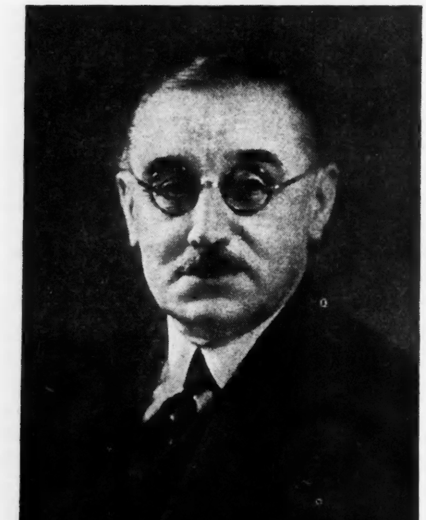
Share-the-Profit Merchandising Dominates British Retail Trade

BY GEORGE W. BERKALEW

SIXTY-FOUR per cent of Great Britain's population were customers of co-operative stores last year. Over 60 per cent of Britain's food imports were sold through this form of merchandising.

With the co-operative movement already successfully established in parts of the United States and being further studied by the Administration; here is something to ponder.

As early as 1761 economic records reveal subversive efforts on the part of isolated groups to buy collectively and sell at cost. It was not, however, until 1844 that Rochdale weavers, with a capital of $730, decided on a new plan—to buy collectively but to sell not at cost, but at competitive market prices, sharing on a pro rata basis the profits of management. A nominal membership fee of one shilling entitled each householder to one vote. Sales were strictly for cash. Despite liberal deductions for depreciation, a 5 per cent interest payment on invested capital, a 2½ per cent allowance for education, handsome profits accumulated. By 1862 an act of Parliament granted the autonomous societies which had sprung rapidly into being since 1844, the right to form and incorporate a central wholesale company. This marked the foundation of the C.W.S.—Co-operative Wholesale Society, which today does so large a part of the merchandising business of England.



Sir William Dudley, President of the Co-operative Wholesale Society, Ltd.

The C.W.S., as a nucleus of the co-operative system, transformed what had heretofore been a medley of local retail outlets, competing with each other for supplies, into an organized body, buying and selling through a national pool on open and strictly equal terms. Significant is the fact that wholesale divisions wielded no monopoly control over retailers. Member stores retained the right to operate freely on the competitive market if they so desired. It is this voluntary feature of the co-operative system in England which has been largely responsible for its success. Membership confers no right to work, but employment carries the privileges of membership. All members are entitled to invest their savings with the co-operative—the movement is in reality a co-partnership between consumer workers and consumer capitalists. The original conception of providing a "more abundant life" for the consumer has been proven sound.

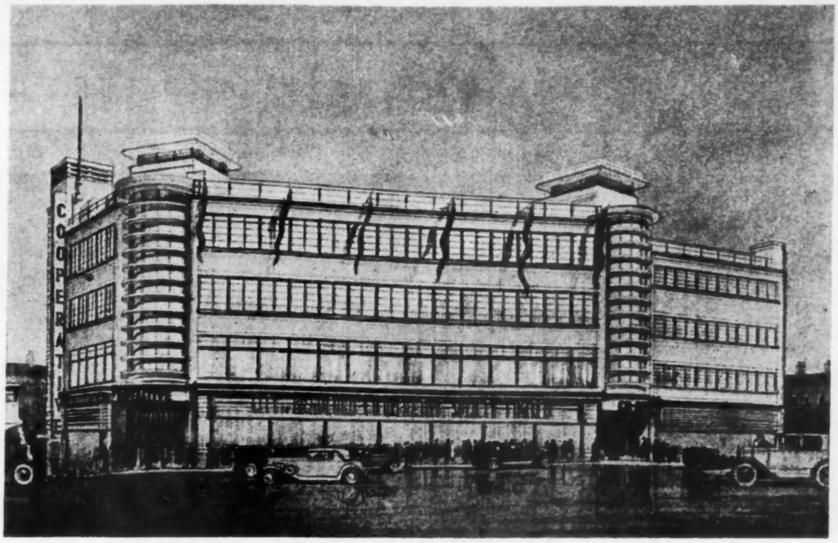
Consumers' needs provide the raison d'etre of all industrial activity; they constitute the main spring of production and the primary source of profits. Operating on this fundamental economic principle, the movement grew and flourished, but the present dominant position which cooperatives have gained in the world of British business is not generally recognized. Statistics alone can give a succinct conception of the scope and activity of these societies.

Unpublished figures for 1936 record a continued advance in production and sales; in surplus and profits. At the beginning of 1937, retail outlets numbered 1105 co-operative stores; 7,131,000 member-customers. Balance sheets show paid in capital of $625,000,000; gross sales of $1,000,000,000 a surplus on the year for distribution of $123,500,000 of which $23,200,000 was distributed as interest to holders of the 5 per cent shares; $93,000,000 as dividends, or discounts as the Co-op's call them, on consumer purchases.

The reason that retail co-operatives are in a position to offer the high return on invested capital of 5 per cent, free of income tax, as compared with low interest rates prevailing in Great Britain, plus an average 10 per cent dividend on sales, is due to substantial economies in centralized wholesale purchasing, directly controlled transportation, banking and insurance facilities.

The Co-operative Wholesale Societies of England, Scotland and Ireland, including 116 affiliated manufacturing companies aggregated gross sales of $571,000,000,

paid in wages $166,000,000 to 252,000 employees. The net value of production created within the co-operative movement (after deducting cost of materials) averages $122,000,000 or the equivalent of approximately one-sixth of the computed wholesale value of goods sold by all retail establishments.



New Central Stores for the City of Bradford Co-operative Society, England

As has been intimated the C.W.S. industries have developed into far more than a system of merchandising. As its trade position and resources have increased the organization has embraced nearly all forms of raw material supply manufacture and necessary transportation. Productive enterprises in which proprietary interest has been assumed include: flour milling, dairying, meat-packing, canning, textiles, clothing and housing, boot and shoe, furniture and hardware, drugs and chemicals, coal, tin and iron interests. C.W.S. farms and estates in Great Britain with an area of 29,403 acres, Co-operative Tea Plantations in the East, 35,126 acres and participation in other agricultural interests assure an unbroken channel of distribution of primary food products from their source, to Co-operative canning and packing plants, sold subsequently by Co-operative retailers direct to the consumer. To further maintain the stability inherent in the Co-operative method of trading, the C.W.S., through its Banking Department, is able to finance its own transactions, completely independent of the exigencies of credit expansion and contraction. Capital resources have increased steadily, reaching a peak level in 1936 of $63,600,000, with current deposits of $464,000,000, against contingent liabilities, insurance funds and reserves totaling $42,100,000.

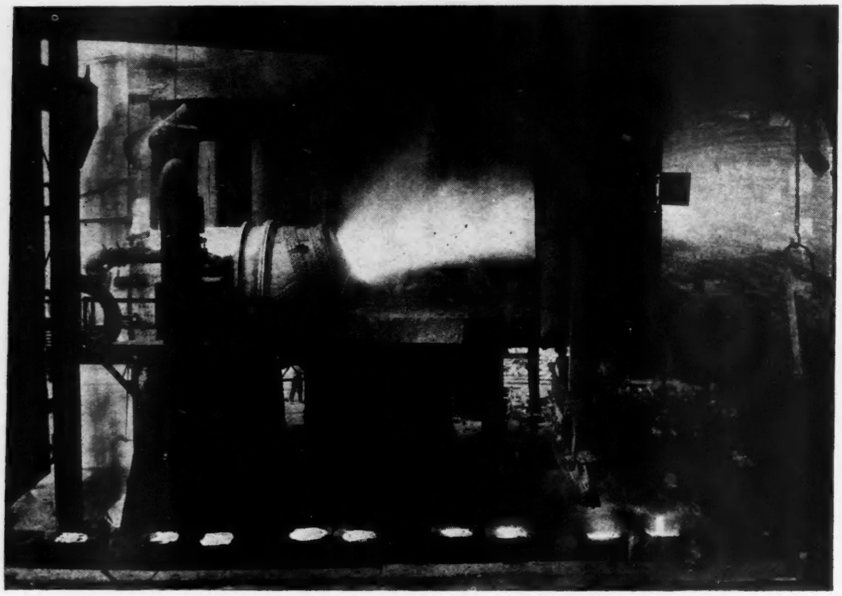
In the effort to fulfill all functions of commercial activity, the Scottish and English Wholesale Co-operatives conduct a joint insurance company with reserves of $68,600,000, investments of $70,900,000, averaging a premium income of over $24,400,000 annually. It is significant to note that the Co-operative Insurance Society has since 1929 been expanding more rapidly than any other insurance business in Great Britain.

Vertical integration of distribution, coupled with co-operative banking and insurance, eliminates to a marked degree wide fluctuations in consumer purchasing power over an extended period.

With this thought in mind, it is enlightening to examine the history of co-operative retail activity during the lean years of the depression. Many of the C.W.S. directors and local store managers regarded with some trepidation the publication of trade statistics at the beginning of 1930. Prices were falling, unemployment and low wages in the distressed areas were making their effect on trade cumulatively worse. It was to be expected, therefore, that sales would show a substantial decline and share capital fail to attain its average annual percentage of increase. Surprisingly enough, these fears proved unfounded. At the bottom of the depression the value of sales (not a truly representative index during a period of falling prices) dropped only 3½ per cent. Membership increased and even under conditions of aggravated unemployment savings invested in the form of share capital were not withdrawn to such an extent as to reduce the total amount of capital on hand. This support on the part of the consumer body gives tangible evidence of the service rendered by Co-operatives in alleviating distress in shipyards, iron and steel works, and coal mines during the trade crisis. With this contribution to stabilized consumption on record, it is not surprising that co-operative societies in Great Britain at the beginning of 1937 had more than doubled paid-in capital and increased membership by 87 per cent since 1918.

With the marked progress of the movement, the enlargement of its sphere of influence, the extension of its organization, co-operative policy today ceases to be purely commercial. Larger than any political party in Great Britain, the co-operative group is becoming a powerful medium of public expression. On matters such as the administration and extension of agricultural marketing acts, quotas, tariffs, and domestic questions affecting the interests of consumers, the co-operative point of view has been kept well to the forefront in Parliamentary discussion. During the past year the co-operative party has continued and intensified its educational and propaganda campaign throughout the country. Its policy is unequivocably set forth in the following resolution: "The object of the Co-operative Party is the establishment of the Co-operative Commonwealth wherein the means of production, distribution, and exchange shall be collectively owned and wherein the Co-operative movement shall function as the medium for the provisions of the personal and domestic requirements of the community." This bland admission envisaging a sweeping program for the reconstruction of British society sounds a familiar Communistic note. While the Co-operative Party plans to use every legitimate means to influence labor policy and challenges capitalism in its present form, it professes to be essentially democratic. (*Please turn to page* 788)

YOUNGSTOWN SHEET AND TUBE COMPANY



Earnings Point Higher

BY WARD GATES

BACK in 1929 when everything looked good the managements of Youngstown Sheet & Tube and Bethlehem Steel agreed on terms for a merger. The initiative lay with Bethlehem. For various reasons it wanted Youngstown, the fifth biggest maker of steel and second largest producer of pipe. A fighting minority of Youngstown shareholders opposed the deal. In and out of court, the battle raged for months. Even late in 1930, when business men began to opine that the country was in for some kind of a depression, Bethlehem still wanted Youngstown and determined to appeal a lower court decision enjoining the merger. It was not until October, 1931, that Bethlehem called the deal off. By that time many had begun to wonder whether any steel property ever again would be worth a hoot.

Our file on Youngstown, with which we refresh our memory as we begin this analysis, is replete with pamphlets and statements issued in the 1930 barrage and counter-barrage of argument for and against the proposed merger—exhaustive comparisons of earnings per ton, capitalizations, depreciation policies, dividend records, etc. Everything was debated—except the outlook for steel and the revolutionary changes its technology and markets were destined to undergo. The statistics cited, as always, dealt with the past—a past which we can now see was more or less meaningless.

Bethlehem was an in-and-out dividend payer, opponents of the merger charged, and sometimes had even omitted dividends on its preferred stock. In contrast—"The current dividend return on Sheet and Tube is assured by 26 years of unbroken dividends, making Sheet and Tube an investment stock." The Sheet and Tube preferred dividend, of course, was above question!

A year after that boast was made Youngstown was not earning the interest on its bonds, although accumulated fat permitted it to meet all charges, to pay a full $5.50 preferred rate and $2.75 on the common in 1931 and to distribute $2.75 on the preferred in 1932. Thereafter for shareholders, preferred and common, came the great darkness. In the four years 1931-1934 the company's losses totalled more than $31,000,000.

To Youngstown the "consumption goods recovery" of 1933 and 1934 didn't mean a thing, except reduced deficits—despite the fact that during the depression years the management had seen the trend and radically strengthened the company's position in light steel products. It was not until 1935, when the capital goods industries began to feel the breath of life and when demand for consumers' durable goods developed momentum, that Youngstown put red ink behind.

In that year it earned $1,597,000, equal to $10.65 on the 150,000 shares of $5.50 preferred and 64 cents on the then outstanding 1,200,000 shares of common—but

a far cry from record high of $143.76 for the preferred and $17.28 for the common earned in 1929.

Last year spreading recovery in volume of durable goods lifted sales by 47 per cent, or from $86,788,000 to $127,674,000, bringing into play the double-barrelled leverage inherent in production set-up and capitalization, a characteristic common to all big steel companies and especially those importantly dependent on heavy steels. As a result earnings on the common jumped to $7.03 per share.

Strong Recuperation

This demonstration of strong recuperative power, plus anticipation of further gains, explains why Youngstown comon has advanced approximately 18 points this year to a current quotation around 93. That is a fairly liberal appraisal of 1936 earnings, since steel stocks normally tend to sell at a relatively conservative ratio to per share profits because of inherent instability of earnings. The major swings in the cycle of steel demand and earnings are, of course, extreme. In addition, due to the large leverage present, event moderate fluctuations of volume during good times can radically alter steel company earnings. For example, in the highly prosperous 1926-1929 period Youngstown's profits varied greatly, amounting to $14.33 per share in 1926, falling more than one half or to $6.10 in 1927, rising to $9.54 in 1928 and jumping to record high of $17.28 in 1929. Equally erratic in the same period of excellent business were the earnings of the two biggest steel makers, United States Steel and Bethlehem. Per share net of "Big Steel" ranged from $8.81 in 1927 to $21.19 in 1929, and corresponding range for Bethlehem was between $5.02 and $11.01.

In the present setting, however, the outlook for steel appears brighter than ever before. Taking into account population growth since 1929, new applications of steel that both reflect and contribute to a rising standard of living and a tremendous accumulated deficiency in durable goods created during depression years of subnormal buying, it goes without saying that steel consumption will substantially exceed the volume of 1929 before the present underlying cycle of economic expansion terminates. That is merely a repetition of all past American history.

Indeed, should present rate of operations in the industry be maintained, it is quite likely that 1937 steel volume will pass that of 1929. While the possibility of an off year, such as 1927, is to be reckoned with, the evidence presently available indicates that it will not be *this* year, whatever 1938 may hold. Typical of the existing picture, the biggest steel producer in the world —"Big Steel's" Carnegie-Illinois unit—is today turning away foreign business in order to cope with domestic demand, is operating close to practical capacity and sees business in sight to assure this or a moderately higher rate for the next six months or late into the third quarter of the year.

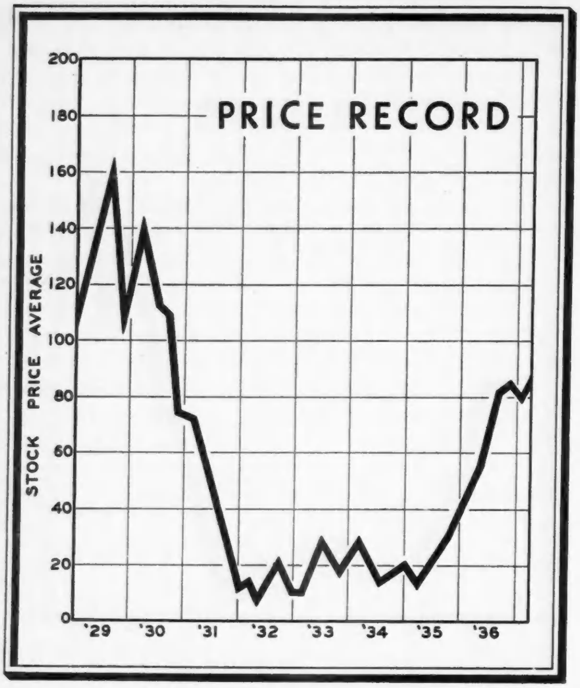
There is nothing exceptional in this. The same conditions apply to Youngstown, and even should there develop some let-down in the pace of steel late in the year, due to factors not now in sight, it is very likely that the company's average 1937 operating rate will substantially exceed the 71 per cent of capacity average rate last year, with corresponding increment to profit.

In Wall Street the prevalent guess is that Youngstown will earn $9 or $10 a share this year, allowing for probability that continued conversion of the company's 3½ per cent debentures, issued last year, will increase outstanding common stock to 1,676,800 shares. The $10 guess thus looks to total profit of around $16,768,000. That would be some 60 per cent more than last year but about 25 per cent under 1929 peak.

This analyst would not dream of sitting down with pencil and scratch pad in mid-March and attempting to "forecast" the 1937 earnings of any corporation. On the other hand, he would not risk so much as a dime on a bet that the above guess of $9 to $10 for Youngstown common this year will prove too high. Since earnings last year increased more than six-fold on a sales gain of 47 per cent and since—thanks to leverage —the last 10 or 15 per cent of capacity can mean a difference of 100 per cent or more in steel company net, it is *possible,* depending upon further rise in operating rate, for our $10 guess for Youngstown common to prove well under the actual performance. Let us repeat —this is not a forecast.

Photos in this article by courtesy of Youngstown Sheet and Tube Co.

Roughing Stands in Youngstown's Continuous Hot Strip Mill



It is because of the apparent assured profitable volume of the next six months and the generally favorable longer term outlook—rather than last year's profit—that Youngstown common sells at $93 a share. Before we have seen the end of this bull market, it has a much better than even chance of going substantially higher, even though the possibility of temporary reaction after straight line advance during recent months must be kept in mind.

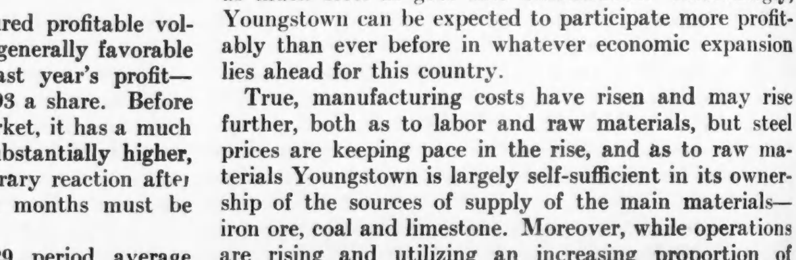
For comparison, in the 1926-1929 period average earnings on Youngstown common were $11.81, against average of $7.50 for Bethlehem—which, incidentally, is currently priced 3 points above Youngstown—and against average of $15.12 for United States Steel common, now about 25 points above Youngstown. Throughout the last boom Youngstown usually commanded a market price 30 to 40 points above that of Bethlehem but 60 to 80 points under the popular "Big Steel." These differences corresponded fairly closely with past differences in per share earnings among the three, and at their highest prices in the supposedly crazy market of that time, none ever sold much above 12 times current annual earning power and usually for less.

In preceding studies we have outlined the aggressive steps taken in recent years by "Big Steel" and Bethlehem in modernizing producing facilities, with special emphasis on enlarged capacity for making the light steels which have captured so important a proportion of the total steel market. Suffice it to say that, relative to its size, Youngstown Sheet and Tube has been equally aggressive in its capital expenditure program and equally alive to the advantages of a much broadened product diversification. Indeed—again relatively speaking—Youngstown has remade itself since 1929 even more completely than either Bethlehem or "Big Steel" in the sense that, in ratio to total capacity, it has gone more extensively into the field of light steel than have the two steel giants.

That is why Youngstown's average operating rate of 71 per cent of capacity last year topped that of "Big Steel" and of Bethlehem by a substantial margin and, in fact, topped the composite average of the industry by 3 points, although it was, of course, well under that of National Steel, American Rolling Mill and others preponderantly dependent on light steels. Whereas pipe and other tubular products formerly constituted the backbone of Youngstown's business, flat-rolled products — sheets, strip, bars, plates, tin plate, etc.—now make up more than half of total finishing capacity.

Thus the company now has consuming markets in the building, oil, gas, automobile and tin container industries, as well as in alloys, wire and a variety of miscellaneous steel products which individually are "small potatoes" but in the aggregate account for about as much steel as goes into automobiles. Accordingly, Youngstown can be expected to participate more profitably than ever before in whatever economic expansion lies ahead for this country.

True, manufacturing costs have risen and may rise further, both as to labor and raw materials, but steel prices are keeping pace in the rise, and as to raw materials Youngstown is largely self-sufficient in its ownership of the sources of supply of the main materials—iron ore, coal and limestone. Moreover, while operations are rising and utilizing an increasing proportion of capacity, the resultant reduction in unit costs much



Sheet Steel being rolled off the delivery end of one of Youngstown's Continuous Cold Strip Mills

more than offsets advance in other cost factors. It will, of course, be a different story when full capacity rate and minimum unit cost are attained. After that any further advance in wage costs or in costs of materials not obtained from the company's owned sources of supply will necessarily be at the expense of profits—unless matched by equivalent further advance in prices.

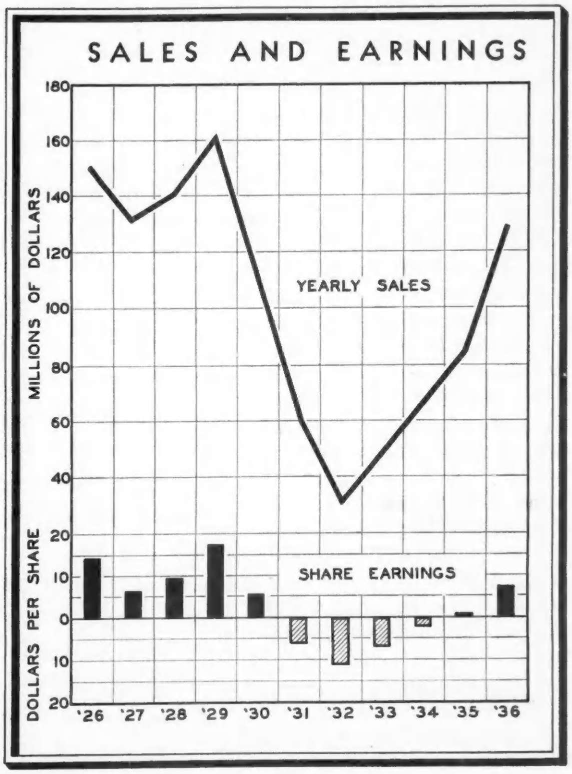
Regardless of longer term possibilities, however, which are in any event beyond rational forecast, the chances are that the large wage increases and sizable price advances recently put into effect will leave the steel situation fairly well stabilized as to cost factors for some months to come and probably for the rest of the year—if the rising cost of living does not assume so fast a tempo as to create renewed labor discontent. Certainly for the next three to six months the most significant trend for Youngstown is likely to be lower unit costs and higher profit margin, due to a satisfactory and rising volume of business.

Quite likely market advance in Youngstown common has been retarded to some extent by conversion of its debentures, as previously referred to, for some bondholders prefer to cash their profits rather than hold any common stock, however promising its prospect; and the psychological effect of continuing conversion is not without influence upon potential buyers, whether investors or traders, since many will no doubt reason that pending completion of the conversion steel shares not subject to this factor may tend to rise faster, if otherwise favorably situated. That may be, but from the point of view of the longer-range buyer we would say that this temporary factor makes it possible to buy Youngstown more cheaply than would otherwise be possible. Out of the original $30,000,000 issue of 3½ per cent convertible debentures—convertible at the now highly profitable rate of 16 shares of common for each debenture—total of $11,745,000 was converted or retired by the close of last year. In February an additional $3,000,000 was called for redemption on March 25 and early this month additional $5,000,000 was called for redemption April 20. Thus, not allowing for voluntary conversion of unknown proportions, by April 20 this issue will have been reduced to $10,253,000; and at the rate at which redemption calls have come thus far this year, the conversion should be completed within another two or three months.

Thereafter funded debt will consist of only $61,500,000 4 per cent first mortgage sinking fund bonds due in 1961. The interest on that debt will total $2,460,000, as compared with debt charges of $4,412,682 in 1935. The saving of $1,952,000 is equal to more than $1.61 per share on the 1,200,000 shares of common outstanding in 1935 and to approximately $1.16 per share on the 1,676,000 shares that will be outstanding when bond conversion is complete.

All arrears on the preferred shares have been cleared, with the regular $5.50 rate now being paid; and dividends on the common have just been resumed for the first time since 1931 with initial declaration of 75 cents a share. Sinking fund provisions call for redemption of the 4 per cent bonds at the rate of $1,500,000 a year. Earnings reported last year made no provision for surtax on undistributed profits, the company's counsel holding that, due to the deduction of redemption premiums and interest applicable to bonds redeemed during 1936, there are credits sufficient so that no surtax is due.

Left to its own devices, the Youngstown management would no doubt adhere to the generally conservative dividend policy of the past. Thus, there was paid on common total of $19 cash out of profits of $47.24 in the period 1926-1929. With working capital apparently ample for nearby needs and all preferred arrears paid off, the chances are that Youngstown shareholders this year will get a fatter distribution than ever before, for it will cost the company plenty to earn $10 or thereabouts and pay only $5, the best rate of the past. Something between $6 and $8 is more likely—or a very good yield plus better than even chance of substantial appreciation before steel doffs its present princely raiment and dons the pauper's sackcloth it has been known to wear from time to time.



Financial Record

	Working Capital	Funded Debt	Common Dividends	Times Charges Earned
1926........	$63,741,000	$67,016,000	$4	5.04
1927........	73,110,000	75,000,000	5	2.71
1928........	72,684,000	73,500,000	5(**)	4.11
1929........	74,898,000	72,000,000	5	7.52
1930........	68,251,000	70,500,000	5	2.92
1931........	67,171,000	94,000,000	2.75	....
1932........	57,836,000	89,967,000	....	....
1933........	53,776,000	88,500,000	....	....
1934........	51,080,000	86,148,000	....	0.40
1935........	49,845,000	85,337,000	....	1.39
1936........	59,154,000	78,253,000(*)	....(***)	3.90

* Present debt approximately $70,000,000. ** Plus 20% in stock. *** Payments resumed with 75 cents voted March 9.

√ **Expanding volume and increasing prices make new demands on working capital— a significant point for investors to consider.**

Financing Business Expansion

BY ARTHUR MILLARD

DESPITE the receipt of $25,000,000 new capital from sale of stock and record earnings last year, Montgomery Ward & Co., one of the leading merchandising companies in the country, again finds itself in need of additional working capital, before the first quarter of the new year is out. Is this symptomatic of a general situation throughout business? What basic causes lie behind the sudden increase in net working capital requirements? What companies and what lines of business are likely to face the need for larger net quick assets in the present business situation and what types of companies have the best working capital position at present?

With commodity prices advancing close to the level of 1926 and with the physical volume of industrial production expanding to the best level since the Fall of 1929, it is pertinent for investors to give some thought at this time to the net working capital position of the companies in which they hold or contemplate an interest. Working capital of the great majority of companies was considerably reduced during the depression. During recent years, working capital positions of leading companies have not been built up nearly as rapidly as the recovery in the physical volume of their business or increase in the general price level. While business was at a slack rate during the initial phase of the recovery, the reduced level of net quick assets was comfortably larger, on the average, than the actual requirements then prevailing. As the recovery continued, however, more and more individual concerns faced the necessity of augmenting working capital to handle satisfactorily their increased volume of business.

The investor's interest in working capital problems of the day probably centers on companies which appear to be logical candidates for new financing for working capital purposes and the effect of such financing on future per share earnings. The accompanying table gives a percentage ratio of total assets to net working capital of 26 leading industries, as tabulated from 1935 balance sheets. These ratios are a practical guide in determining whether any given company is fully "in line" with the average of its industry in so far as working capital is concerned.

If the price level continues the recent sharply upward trend over any considerable period, working capital problems are likely to become more general and more acute. For, in addition to the usual demands for working capital in a recovery economy, management now faces the dilemma of penalizing stockholders with increased tax liability if surplus earnings are retained, or of permitting dilution of equity through junior security financing—the only other alternative open a great many of the smaller business units under prevailing conditions.

Since sales, in the final analysis, are the multiple of price and physical volume of distribution it follows that, with both price and tonnage figures close to the levels of the previous area of prosperity, sales on the average are also close to record levels. In contrast, the average improvement in working capital has been exceedingly narrow. A compilation of balance sheet items of over 400 leading industrial companies* shows that aggregate working capital of about seven and a half billion dollars at the end of the depression year 1932 increased by only 4.6 per cent to the end of 1935. Of the principal asset items which make up working capital, cash was actually lower, in the aggregate, at the end of 1935 than in 1932. The total receivables and inventories of these companies increased 14 per cent and 26 per cent, respectively, from the end of 1932 to the end of 1935. On the whole, the improved fortunes of these companies was not utilized to reduce current debt, however, since total current liabilities increased 65 per cent during the same period.

Only a minority of these companies have as yet released their 1936 balance sheets. An examination of the available 1936 statements, however, indicates that much the same tendencies persisted last year and at an accelerated pace. Sales and profits on the average represented an unusually sharp increase. Receivables also increased but at a slower rate than in previous recovery years. Inventories, under the stimulus of a rising price trend, appear to have expanded at a faster rate than in recent years. There is little disposition shown, on the data available, either to reduce current liabilities or to increase cash resources. In any event, profits and sales volume expanded much more rapidly last year than net working capital—a situation probably influenced to a consider-

*Source Standard Statistics Company.

able degree by the existing corporate tax legislation.

From this point in the business and industrial recovery, the need for enlarged net working capital is more likely to come from price increases than from further expansion in the physical volume of production and distribution of goods. This opinion is based on existing limitations on physical production and the absence of similar limitations on price advances. The steel industry, for example, is currently operating close to the theoretical production capacity of the industry. To give a few other examples, the domestic non-ferrous metal output has expanded to virtual mine capacity, the industrial machinery manufacturers report operations at their present labor capacity and the petroleum industry will probably work close to the limits of refinery equipment in good condition during the peak of the consuming season this summer. On the price side of the question, however, the combination of world industrial recovery, extraordinary armament demands for food, supplies and materials and the inflationary policies of the Administration have already exercised a powerful influence on price trend of raw materials and commodities with world markets. More recently, the higher cost of raw materials has been translated into advanced prices for finished goods covering such wide variety as shoes, typewriters and automobile tires. Nothing short of the most energetic "control" measures appears likely to prevent wide and substantial price advances. In such event, sales would continue to expand, even though physical rate of operations continues relatively stable. And with expansion in the dollar value of sales, increased working capital would be required to meet higher material costs, larger volume of receivables and higher operating and sales costs.

What types of companies would be affected most by these conditions? Whether increased working capital requirements should arise from normal recovery or whether they would be accentuated by inflation cannot be forecast with confidence. From the standpoint of the individual company, however, the result would be only a question of the degree to which larger working funds would be required. Mentioned in the order of their normal working capital requirements, the following groups of companies are most likely to be "pinched" in working capital in period of inflation or expansion.

Group 1, would be the service companies which do not add any important manufacturing value to their products or services and which operate on an active turnover in highly competitive retail or wholesale markets. Such activities require the large net working capital in relation to sales. More specifically this group would embrace all of the retail trade units, including department stores, chains, mail order companies, food processing or distributing companies, tobacco companies, textiles, motion pictures, and most producers of perishable or season consumers goods.

Group 2, would include most manufacturers of finished goods and materials without a well integrated raw material position. Among the more important industries in this group would be the automobile and accessory manufacturers, electrical and household equipment makers, tire, aircraft, building supply and paint manufacturers. Oil refining and marketing companies without a well integrated position of controlled crude oil supplies might also be included.

Net Working Capital Ratios in Leading Industries

	Percentage Ratio Net Working Capital to Total Assets
Advertising, Printing and Publishing	37.8
Automobiles and Trucks	30.6
Automobile Parts and Accessories	40.8
Automobile Tires, Rubber Goods, etc.	40.4
Building Equipment Supplies and Construction	30.4
Chemicals, Industrial	29.4
Electrical Equipment	41.0
Food Products	35.6
Household Products and Supplies	43.2
Machinery (Agricultural)	59.6
Machinery (Industrial)	40.4
Metals (Non-Ferrous)	19.0
Metals (Gold)	23.8
Office and Business Equipment	42.1
Oil Producing and Refining	20.9
Paper and Paper Products	11.9
Railroads	None
Railroad Equipment	20.4
Retail Trade	38.0
Steel and Iron	19.8
Sugar Producing and Refining	28.6
Textiles and Apparel	42.5
Theatres and Motion Pictures	15.8
Tobacco and Tobacco Products	70.0
Utilities (Holding Companies)	3.57
Utilities (Operating Companies)	3.37

Group 3 embraces the heavier manufacturing industries, which are well protected on raw material supplies or dispose of a large part of their output on long term contracts which provide for some protection against advancing prices. In this group would be included the chemical companies, sulphur producers, paper companies and many of the smelting and steel companies. Machinery manufacturers and some paint manufacturers would also fall in this middle class because they dispose of their output principally to large industrial consumers. Farm machinery companies, on the other hand, because of their very large individual customer receivables would fall into the second group, requiring larger working capital for normal requirements.

Group 4, the extractive industries, are the best situated from the standpoint of low working capital needs, because their fixed assets comprising ore or mineral reserves have a ready cash value as soon as recovered and in times of credit stringency can even be sold under contract before actually brought to the surface. As gold and silver command a fixed mint price, these metals normally are most liquid and the precious metal mining companies, consequently, require a minimum of working capital, after their development has carried to the stage of stable commercial production. Industrial metal producers such as copper, lead and zinc mining companies are in a favorable position under normal conditions and enjoy a particularly favorable position during periods of rising metal prices. Coal companies also have relatively low working capital requirements, but depressed conditions in this industry have seriously im- (*Please turn to page* 781)

Happening in Washington

BY E. K. T.

Inflation signs worry Washington. President's amazing tip-off in fireside chat that nation faces crisis like 1929 crash is considered largely political scare-argument for court revamping, but greater weight is given concern shown by fiscal and economic experts in the administration. Rising wage-price spiral viewed as threat to balanced recovery—might cause real price inflation beyond power of Government to control, or buying resistance spelling early end to recovery. Eccles' lengthy statement is only one symptom of existence of this feeling.

Economic controls other than monetary should be used by Government at once if administration wants a "planned economy," in belief of several high New Deal economists who are advancing their views at risk of being termed "against social progress." These include: abandonment of all administration plans to curtail production through such measures as new N R A, new A A A, Guffey coal bill, etc. at time when more goods rather than higher prices is the need; termination of all administration policies tending to raise prices; abandonment of encouragement of 30- or 40-hour week, strikes, restrictions on employment, and wage increases to workers above lowest earning categories; postponement of low-rent housing program and curtailment of public works so Government will not compete with private industry for building labor and supplies.

Stable economy should be primary concern of administration, in this view, and all social welfare schemes, however inherently desirable, should be subordinated to this end at whatever immediate political cost. However, this view represents minority of New Deal policy-makers; the spenders predominate.

Conflict will rage for long time between these two views within and without the administration. High cost of living will be big issue. Labor groups will insist answer is blanket increase in wages, and they will talk louder than long-range planners who think better policy is to keep prices down until consumption catches up. Producers are eager to up prices despite warnings of leaders in many industries, particularly building materials, that this may kill the goose to get the egg.

Court issue will end in compromise, is private belief of all around the Capitol, but just what is a guess. Outcome will be long deferred. Both sides playing waiting game. Chief benefit of hearings is the publicity, keeping the nation interested, as Senators' minds are all made up and those still publicly uncommitted will be influenced by pressure (or lack of it) from White House and constituents rather than by speeches.

Amendment to Constitution may be by-product—but not solution—of Supreme Court fight. Many are being pressed, and both liberals and conservatives may agree on one or two to insure Congress' power to enact social and economic legislation of national scope. Belief is strong that if submitted to conventions instead of state legislatures, a "New Deal amendment" would be ratified in a few months.

Child labor legislation is again in foreground as New York's rejection makes ratification of amendment remote. Attention reverts to law like prison-goods ban, with states prohibiting sale of child-made goods and U. S. aiding enforcement by preventing interstate shipment in violation of state laws. Many administrative difficulties in this, however.

WASHINGTON SEES

Signs of price inflation.

Balanced budget and deflationary policies advocated within the administration.

Supreme Court issue ending in compromise.

Constitutional amendment not improbable.

Labor conditions and policies chaotic.

Maritime commission facing trouble.

Third term for Roosevelt?

Intra-labor fight will be long and bitter, helping neither labor nor industry. Observers think A F of L will gradually lose out to C I O unions. Latters' strategy is to demand much and take whatever they can get for time being with ultimate goal exclusive bargaining recognition and closed shop. The next step will be C I O a powerful political force demanding a hand in shaping economic policies—and in industry management.

Much talk currently about need for national labor policy, but it will be long in formulation. Wagner labor act, even if upheld, isn't the answer. Sit-down strike epidemic alarms many officials; also some labor leaders who fear public reaction. Growing sentiment that worker has property right in his job is countered by demands that unions be more responsible. Latter point is conceded by some unions which are willing, on terms, to guarantee against sudden shut-downs.

Building credit not expected to suffer materially from expiration of F H A's guarantee (Title I) of bank loans for repair and modernization since many banks and installment credit firms will continue making monthly-amortized loans on joint personal and collateral basis popularized by F H A activities in this field. Much pressure was exerted to continue program, but F H A wanted to get out of it, devote attention to permanent program of insured mortgages.

Social Security and housing link is proposed by some slum-clearance advocates who propose that social security reserve fund be invested in bonds of low-rent housing projects, thus early fulfilling predictions that S S fund would be subject to "raids" before it got very large.

Relief program will be submitted to Congress by F D R soon after return from Warm Springs. May contain elements of permanent policy but observers think it will largely continue present scheme with only feeble attempt to shift burden to states. All agree it will hardly be kept within $1,500,000,000 limit mentioned in budget in January.

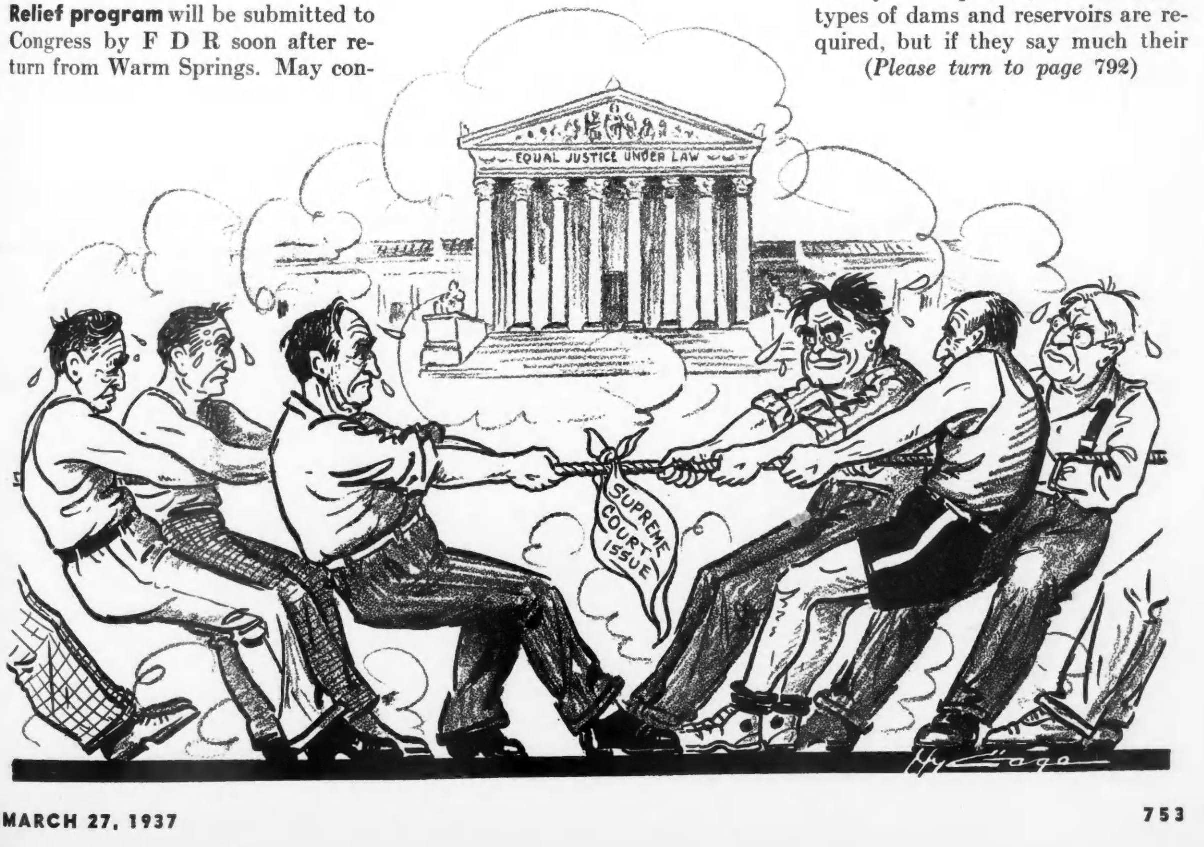
Tax bill will be held off to close to deadline for expiring excise taxes in hopes of reducing lobby pressure for dropping these and for adding new ones on various imports. By June the administration may have forgotten its "no new taxes" promise and propose some increased levies. It has happened before.

Maritime commission gets off to bad start facing accumulated mess of problems and irreconciliable predilections of members which make emergence of workable shipping policy unlikely. Chairman Kennedy will deserve high laurels if he makes this run as smoothly as he did S E C. Subsidies, labor, public ownership, are among the knotty problems.

Anti-trust enforcement will be pushed hard by the administration soon.

Power and floods are being linked by public ownership enthusiasts who seek to establish "little T V As" on all watersheds. Roosevelt boosted the idea in radio talk virtually accusing courts of stopping flood prevention and implying promise of cheap electricity to all if administration is left unhampered. T V A helps it along, becoming indignant at aspersions that it played small role in recent Ohio floods. Utilities are fighting to demonstrate that flood control and power production are usually incompatible, that different types of dams and reservoirs are required, but if they say much their

(Please turn to page 792)



What Federal Power Means to Industry and Investors

Bonneville and Grand Coulee—First of a Series of Three Articles on the Great Water Power Developments

BY FRANCIS C. FULLERTON

AMONG the main objectives of the present Administration is the preservation and utilization of natural resources. In furtherance of the former it engages in re-forestation and in plans to prevent soil errosion: in furtherance of the latter it is spending millions on our waterways, partly with a view to improving navigation and controlling floods, but mainly with a view to the production of electric power—this production to serve as a yardstick with which to measure the rates charged for privately-produced electricity. In the northwest the Government is building two huge dams which are of particular interest from the standpoint of utilities and other industries affected.

The Sites. Both are in the Columbia River Basin.

The first, the Bonneville project, is forty-odd miles above the city of Portland, Oregon, where the river narrows as it cuts through the Cascades. The second, Grand Coulee, derives its name from a huge depression, further up and to the east of the river. The depression varies from five hundred to a thousand feet deep and may once have been the Columbia's old bed.

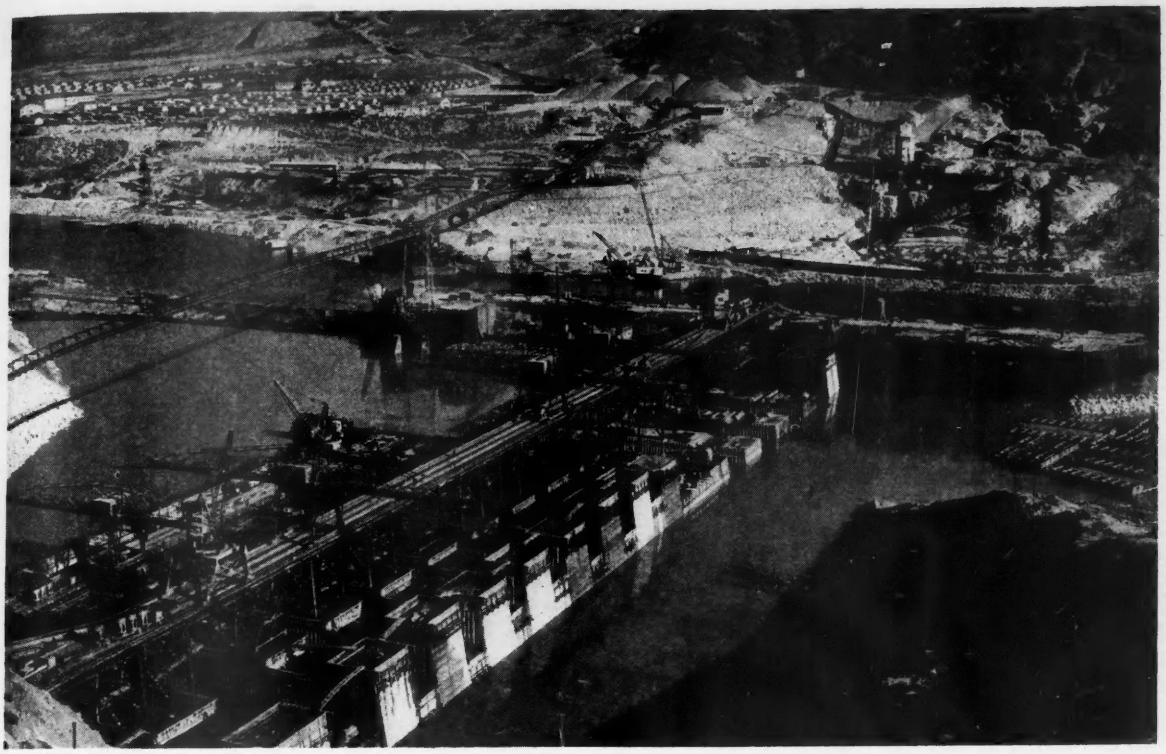
Bonneville Dam. Is really two dams resting on an island in mid-stream. Length, 1250 feet: depth, 170 feet to the lowest foundation of the structure. This project is almost ready for operation. It has a single-lift lock which will raise vessels sixty-six feet from approximately sea-level and open up about fifty more miles of the Columbia to navigation. It has two salmon ladders—and salmon elevators lest the salmon fail to take to the ladders in their annual dash from the sea to spawn. Much more important, however, than locks, ladders and lifts is the fact that two of Bonneville's ten generating stations, each of 43,200 kilowatts, will be producing electric power within a year. Significant note: the first two units will have an output equal to about half the existing electric capacity of the district and when all ten are operating, well. . . .

The Cost. The War Department estimates a total cost of $75,233,300 to complete the Bonneville project, more than $50,000,000 of which would be for power and the balance for navigation and fishways. Indirect costs are problematical.

Grand Coulee. In a much less advanced state than Bonneville and will be no problem until 1939. Has been referred to as the largest structure man ever planned. Has a potential capacity not far from five times Bonneville's potential, which is about equal to that of Muscle Shoals.

The Purpose. Ostensibly, navigation and flood control. Really, power production which is always played down in the acts authorizing this kind of thing lest they be found unconstitutional.

The Policy. General power policy remains to be fixed by Power Board headed by Ickes. Motives are obscure, but it seems that our politicians continue firmly convinced that there is still capital to be made out of



Triangle Photos

Grand Coulee Dam, a component in the Columbia River Basin development, gradually nears completion.

thumping privately-owned utilities. Rates must come down and the benefits of electricity must be carried to the sparsely populated parts of the country. So determined is the Government to achieve these objectives that it is putting itself into the power business on an enormous scale. Specifically, the Government's policy in regard to the northwest can be found in President Roosevelt's recent recommendations to Congress. He suggested that Congress pass laws providing for a Columbia River Administrator whose powers would include the acquisition of privately-owned electric transmission lines and other facilities through condemnation proceedings. This is a power that the Tennessee Valley Authority does not have. Hence, it would seem that from now on privately owned utilities will not only have pressure put on their rates (however low they may be, as is the case in the northwest) by Government competition, but that if more pressure is needed they can be clubbed into complete elimination by condemnation. Other suggestions made by the President are that not less than fifty per cent of the power available at Bonneville be reserved for public agencies until January 1, 1939, and that afterwards public agencies be given a preferential status. Thus, municipalities are to be given plenty of time to sell bonds and make other arrangements in the event that they, too, desire to enter the power distribution business. Power not wanted by public agencies may be sold to private interests but contracts may be cancelled on five years' notice. Should the private interests take the power for resale, contracts will carry stipulations as to the resale rates.

The Effects. Cannot, of course, be clearly foreseen at the present time. The salmon, for example, may or may not fall in with the arrangements made for them: if they do not, an industry worth millions of dollars annually to the district will just disappear. Nor are the effects of the power part of the program very much clearer. So far as the private utility interests in Washington and Oregon are concerned they are the least vulnerable in the country from a rate standpoint. In this territory residential rates average less than three cents a kilowatt-hour. The War Department's proposed rates for Bonneville (at the switchboard) are three mills per kilowatt-hour up to 100,000 kilowatt-hours a month, declining to half-a-mill at the 1,000,000 kilowatt-hour mark. The schedule provides also for a monthly demand charge of sixty cents per kilowatt-hour for power contracted. It is the War Department's claim that these proposed changes would amortize the project over a fifty-year period. On the other hand, if it is public ownership for the sake of public ownership that the Government wants then not even low rates will save the private interests. Locally, there is considerable sentiment against public ownership and the elimination of the private utilities which, it is pointed out, are large taxpayers.

Utilities Affected. Utilities operating in the Bonneville area include Northwestern Electric and Pacific Power & Light. These are subsidiaries of the American Power & Light Co. in which the Electric Bond & Share Co. is interested. Also in the same area is Puget Sound Power & Light, an Engineers (*Please turn to page* 788)

Developments Worth Noting

BY STEWART M. GRANGE

The fact that the asset value of the common stock of the Atlas Corp. as of January 31, last, amounted to $20.59 a share, compared with an asset value of $18.77 on October 31, 1936 undoubtedly was an interesting sign of progress to the company's stockholders. More interesting, however, to the country at large was the questionnaire which accompanied the report. Atlas wants to know whether its owners desire reports more frequently than every six months, whether their preferences run to a balance sheet or a statement of condition, and whether a limited and reasonable profit-sharing plan for the management would be favored—the profit-sharing plan to substitute in whole or in part for fixed salaries. This, it would seem is something new, a stride in the direction of improved corporate democracy. In the past it has been the custom for too many company managements to give the stockholders totally inadequate information and in the form that the management, wished. The action of Atlas is a great improvement on the old system. Would it be possible perhaps to effect even further improvement in the relationship between stockholders and management if a limit were placed upon the number of votes possessed by any one individual or interest. In other words, every stockholder of record would have one vote no matter how few shares he owned but that no one would have more than, say, a thousand votes though he owned a million shares. Certain shares of the Suez Canal Co. are restricted to one vote for every twenty-five shares with a maximum of ten votes. It would seem that some such provision in a company's articles of incorporation would prevent its being run too exclusively for the benefits of the big stockholders.

"The People Made a Big Mistake"

The citizens of the Commonwealth of Australia have just voted on two constitutional amendments and rejected both by substantial majorities. In one the central government sought power to regulate movement of agricultural products in interstate commerce. In the other it sought control of aviation safety laws. The chagrined comment of Premier Lyons was: "The people have made a big mistake." Maybe so, but it was their own choice. One nice thing about democracy is that the people have a *right* to make their own mistakes. In too many places the mistakes are being made for them by dictators. The outcome does seem strange, however, in a country so noted for its social liberalism. In our own land liberalism in recent years has seemed increasingly synonomous with increased power for the Federal government, or so it has been interpreted by our politicians. Can it be that they are wrong? Are the people growing skeptical of Washington's magic wand? It would clear the air to find out by taking the Supreme Court issue before them for a simple yes or no on a constitutional amendment. Here, too, it is our inalienable right to make our own mistakes!

Boeing Forges Ahead

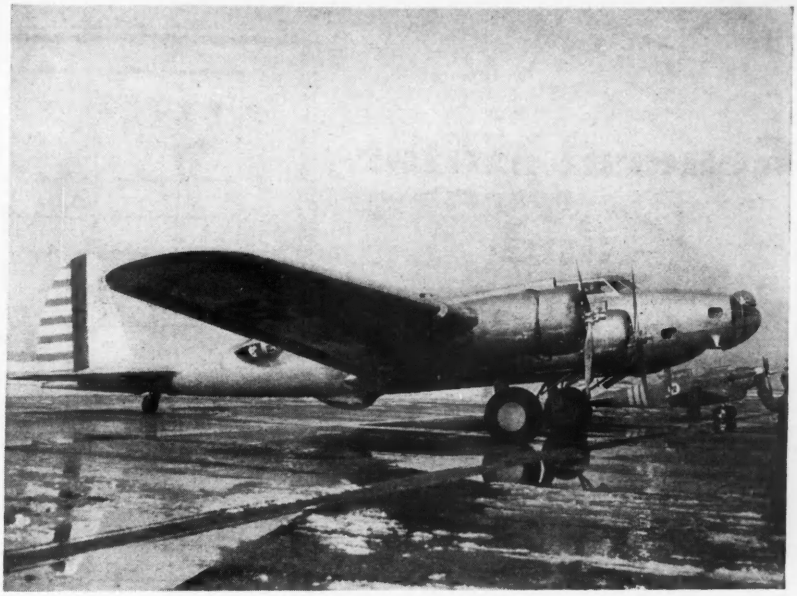
Not long ago it looked for a time as if the Boeing Airplane Co. was being nosed out by its competitors. The Douglas DC-3 was the very last word in air transportation and as a result this company was swamped with orders—so swamped indeed that it was unable to get going on the four-engined ship it was supposed to have been building jointly for the country's major airlines. Boeing in the meantime had been quietly designing a new four-engined bomber. Although the first of these flying fortresses crashed, the army was so impressed with the craft that it ordered thirteen of them at a cost close to the four million dollar mark. Likewise impressed were the commercial airlines: Pan-American Airways ordered half-a-dozen clippers. More important still, the united front of the domestic transport companies was broken when T. W. A. decided not to wait for the Douglas four-engined ship, but to give immediate orders to Boeing. Boeing now advertises that it is the builder of America's largest landplanes and seaplanes, that it is the only company building four-engined aircraft exclusively—four-engined transports, four-engined bombers and four-engined clippers. So great is the press of business that the company's directors have decided to raise more working capital by issuing additional stock to existing stockholders.

Tire Companies Develop New Products

Research is constant with the big rubber companies. It is this research that has increased the life of an automobile tire five times or more in twenty years and at the same time cut the cost immeasurably. The public, however, is used to this and it no longer attracts attention. Nevertheless, one can hardly overlook the announce-

ment of the Goodyear Tire & Rubber Co. that it has developed a new tire with rayon, instead of cotton cords. The new tire for high speed heavy bus and truck runs is said to show the possibility of giving four or five times as much mileage as the old style tires For ordinary passenger car travel however, where sustained internal heat is not the same factor, the rayon tire is said to be little superior to the cotton tire. The manner in which rayon has cut into silk and cotton for apparel has been remarkable, but here it seems is another case where the man-made fibre may partly supplant the natural.

Another instance of successful research on the part of the rubber companies is the Nukraft announced by Goodrich some months ago. Nukraft is a hair cloth impregnated with latex which is used as a spring decking for railroad and automobile seats. There is also a wide field for its use in mattresses and furniture.



Pictures, Inc.

The Army's new flying fortress, the Boeing B17, on the runway at Langley Field, Virginia

Harvester Develops Cotton Picker

When the cotton picker developed by the Rust brothers of Memphis was tried last year it occasioned considerable excitement and there was much speculation as to its possible social effects upon southern labor. It appears now, however, that the Rust cotton picker is to have a rival in one invented by International Harvester. Instead of employing moistened spindles as does the Rust machine, Harvester's spindles have little barbs on them to which the cotton clings until it is removed by brushes. The new picker is not yet commercially available, but the stockholders of International Harvester undoubtedly will be gratified that their company evidently has no intention of losing its place as the leading manufacturer in the agricultural implement field.

Factory Houses

The results achieved in pre-fabricated housing to date are nothing to get excited about; but while the factory-built home remains pretty much of a dream, the effort to make it come true is having some significant results which point to a practical compromise between full and partial pre-fabrication. The partly pre-fabricated house is increasingly a commercial success for the reason that it makes some short-cuts in costs but stops short of the complete standardization of appearance that has proved distasteful to so many potential home buyers. Various companies today are selling "parts" which builders assemble. These "parts," providing improved quality of construction at lower labor cost, by no means form a complete house, but make possible an over-all economy even though a goodly part of the project is carried out in the traditional handicraft manner. Reynolds Metals Corporation, a pioneer in partial pre-fabrication, is now meeting with considerable success in this field. American Houses, Inc., which stirred up a fleeting public interest some time ago with a fully pre-fabricated, air-conditioned home, is now banking on a "chassis." This consists of an ingenious steel frame—made by Truscon Steel— a special plywood for walls, ceilings and floors, and mineral wool for insulation throughout. The steel parts, few in number, embody special interlocking devices which eliminate use of nails, screws or bolts. The plywood is riveted to wall, floor, ceiling and roof "sections" which, when put together form composite trusses. No skilled labor is necessary for erection of this chassis. Selection of heating and kitchen equipment is left to the builder, as is the exterior finish. The company states that in the first week after announcement of this chassis more than twenty builders signed contracts for exclusive dealerships in their respective areas. More to the point, actual sales already exceed the number of fully pre-fabricated houses sold by this manufacturer during the past three years.

Private Brands or Advertised Brands?

Our traditional government policy against price-fixing schemes of any kind seems to be in process of complete reversal. The highest court of the State of New York has reversed itself and manufacturers of widely-advertised goods can now fix a figure below which the retailer must not sell. Retailers predict that all states will have laws similar to that of New York within a few months; in the meantime the Tydings-Miller Federal resale price maintenance bill moves forward to Congressional enactment. Such price-fixing in nationally advertised goods, however, will strengthen the position of private brands; and competition for the consumer's dollar will not disappear.

General Motors and Chrysler Appraised

BY WALTER C. GRAYDON

Certainly the developments of the past month or two have provided the stockholders of General Motors and Chrysler with food for thought. Last year stockholders had been going along blithely, believing in the continuance of the business recovery and that the resulting further increase in public purchasing power was assurance enough of greater prosperity than ever for the big automobile companies. Then came the strike that completely paralyzed the operations of General Motors. Although there was some face-saving and the company made no agreements as to the closed shop, the subsequent settlement cannot be considered other than a distinct victory for the United Automobile Workers and Lewis' Committee for Industrial Organization. This was followed very shortly by the recognition of the union by the steel industry, pay increases and the forty-hour week—a development which has amazed those who appreciate the steel industry's classical attitude towards outside labor organizations.

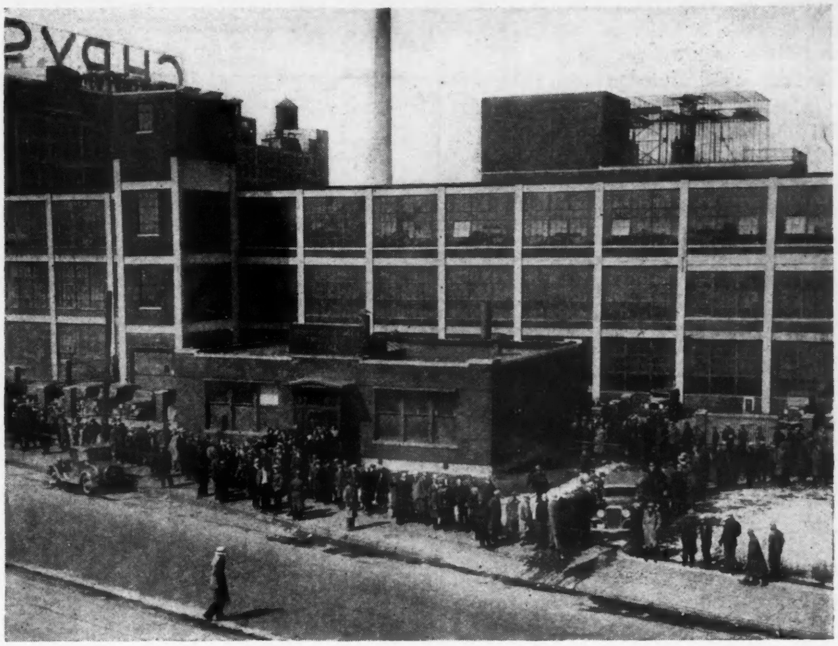
Still more recently, the Chrysler Corp., whose employees were unionized to a much greater extent than were those of General Motors when the latter's trouble started, was presented with an ultimatum by the United Automobile Workers that the union be designated the sole bargaining agency for the company's sixty thousand workers. This, of course, in addition to demands for pay increases, the thirty-hour week and so forth, although the matter of sole representation was really the crux of the dispute. The resulting strike is still in a deadlocked state at this writing, the company having obtained a court injunction ordering the sit-down strikers to vacate its property. In the meantime, sit-down strikes continue to interrupt to a greater or lesser degree the operations of parts manufacturers. No sooner do we hear of one such strike being settled than comes the news that another has broken out. Practically without exception, settlement is made on a basis favorable to the workers.

From this brief sketch of labor relationships, the stockholders of General Motors and Chrysler can hardly be blamed if they deduce a formidable and long enduring increase in costs, threatening profits. They realize that for the automobile companies to raise prices is to go against their most fundamental policy, which has always been either to lower prices or to give increased value for the money. Stockholders feel, therefore, that while part of the increase in costs may be absorbed by a higher efficiency, part also will come from profits because of the tradition that forbids higher selling prices until the move is actually forced. If automobile selling prices are raised, as they may well be with introduction of 1938 models in November, there will arise the question of what effect it will have upon demand.

Now since the matter of General Motors and Chrysler standing as investments turns so largely on the point of profit margins, it would be well to look into this a little further. Last year the Chrysler Corp. sold 1,066,229 vehicles from which, together with subsidiary activities, it derived a net profit of $62,110,543. This is equivalent to roughly $60 a car. The same calculation applied to General Motors is not so simple for it is complicated by activities other than automobiles far more than Chrysler. For the purpose of this discussion it may be said that the big motor companies have been accustomed to receiving from their automobile operations alone a net profit which averages something between $50 and, say, $75 a car.

With this in mind, the significance of the recent increases in wages and materials will become readily apparent. In November, General Motors increased wages five cents an hour: another five-cent-an-hour increase went into effect last month. On the basis of operations in 1936, these increases would add some

$55,000,000 to the annual payroll. This is equal to more than $25 a car. Chrysler, too, has been quietly raising wages: in February the company confirmed the report that on the basis of last year's operations the wage bill this year would be between $13,000,000 and $14,000,000 higher. Assuming that this increase will not merely take the place of the bonuses which the company paid in 1936, it means that Chrysler has committed itself to an increased wage cost of about $13 a car. If this seems to be less drastic than the effect upon General Motors, it is to be remembered that General Motors is more nearly the manufacturer of its cars, while Chrysler tends more to being an assembler of parts. As the parts makers also have been granting pay increases and as there have been many instances of the automobile makers agreeing to higher contract prices, it will probably make little difference in the long run what proportion of his car the automobile manufacturer fabricates himself.



Wide World

Workers seeking jobs at the Hudson Employment Offices prior to recent strikes.

If the automobile stockholder had nothing more than the increase in direct costs to take into account, his concern would be considerably less than it is actually. Unfortunately, consideration must be given also to the higher cost of materials. Copper and lead have been soaring: the union agreement was followed promptly by increases between $3 and $8 a ton in steel prices: pig iron is at the highest level in many years, as an arms crazy Europe places orders so large as to tax transportation facilities. Tire prices were raised 6 per cent at the beginning of the year and have just been increased as much again. Both General Motors and Chrysler, of course, have big stocks of materials on hand, bought before the recent increases went into effect. But at the current rate of production—assuming an early settlement of the Chrysler strike—another month or two will see the more important of these stocks exhausted.

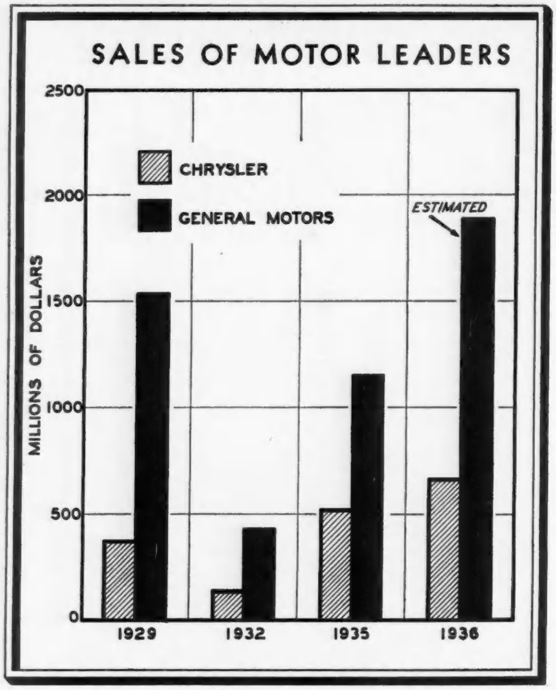
It may be reasonably assumed that when all the known increases in materials become fully effective, it will cost between $15 and $20 more to manufacture a low-priced car. When this is added to the higher direct labor cost and some allowance is made for the incidence of higher indirect labor costs in the plants of parts manufacturers, it is evident that the earnings of the automobile companies will only be sustained if they themselves raise prices by an appreciable amount. They might, of course, cheapen their cars, or leave off a gadget or two. but it is hardly possible that their latitude in this direction would permit them to absorb the higher costs in full.

On the other hand, while the dark side of the automobile picture currently looms most in the public eye, no fair appraisal can neglect that there is also a bright side. This is the remarkable manner in which the public's appetite for automobiles remains insatiable. Despite the epidemic of strikes, the Department of Commerce estimates that more than 750,000 motor vehicles were produced in the first two

Courtesy Chrysler Corp.

Final operations on assembly line before strikes upset production.

months of this year, compared with 678,000 in the first two months of 1936. For the week ended March 6, the estimated output of 127,000 units represented a new peak, although the Chrysler and Hudson shutdowns have since brought about a decline. Nor are sales figures less encouraging. Polk estimates passenger cars sales in January at 280,000 units, compared with 216,000 in January, 1936: the estimate for February is 220,000, compared with 177,000 last year. The used car situation is reported as generally much better than at this time last year.



All-in-all the demand side of the automobile equation could hardly be improved upon. It is merely a question of whether labor is going to permit the automobile companies to get their wares before the public—and at prices which the public will pay. If they are going to be permitted to do this, there seems no doubt of their consumer sales. The strikes probably have done very little damage to total sales so far. It is true that General Motors' sales to dealers during the first two months of the year aggregated something under 121,000 units, or little better than half the company's capacity. However, this does not mean necessarily that the company lost any business at all, for dealers had stocks on hand and, between sales made from these stocks and the prospective customers who were willing to wait, General Motors probably lost no ground. The same thing is proving true of Chrysler and so long as the company's operations are not curtailed longer than two, or at the most three, weeks there is no reason for expecting any loss of consumer business.

In the event that there should occur strikes in the automobile industry which actually hold output under demand, there could hardly be any discussion over the near-term investment standing of any automobile company. But let us assume that the situation becomes no worse than it has so far and that strikes come and go, without, however, resulting in a real net loss in the year's output. In this case there is justification for the expectation that the industry will produce at least 10 per cent and perhaps 15 per cent more cars than the 4,617,000 produced in 1936. It is not easy to guess what this would mean to General Motors and Chrysler. Certainly, other things being equal, it would mean more than a 10, or 15, per cent in net profits. If it resulted in an increase in profits of as much as 20 per cent, it would go a long way to offset all the recent increases in direct labor costs. A 10 to 15 per cent increase in sales, therefore, plus the normal improvement in manufacturing technique, might mean that General Motors and Chrysler would have to raise their selling prices by only $15 or $20 a car in order to earn as much as they earned last year. An increase as small as this, or even one a dollar or two larger, probably would have negligible effects in curtailing demand.

If this were all there were to it, admittedly the stocks of both General Motors and Chrysler are cheap on earning power and yield. General Motors is estimated to have earned last year a dollar or so over the $4.50 a share that was paid in dividends. The stock sells today around $63. Last year Chrysler earned $14.25 a share and distributed $12 a share in dividends to its stockholders. The stock can be bought today for about $124 a share.

On the other hand, the stockholders of General Motors and Chrysler can hardly be expected to acclaim a situation where, provided a menacing situation grows no worse which it well might, their companies will report earnings as large this year as they did last. One is justified in looking for a further improvement in general business and also for a continuing upward trend in commodity prices. Under such conditions, what the stockholder of today wants is a situation where there are very sound grounds for expecting a company to earn more in 1937 than was earned in 1936 and a fair prospect that profits will be still higher in 1938. For such a company he is willing to pay dearly and ignore a current low income return. Of companies such as the motors, where a material increase in earnings is unlikely, he demands a large percentage return on his capital. In this connection it might be noted that the 25-cent dividend declared by General Motors last month was considered disappointing. A year ago at that time the company declared twice as much.

Financially and from a fundamental trade standpoint there is nothing wrong with either General Motors or Chrysler. It is only that recent developments, striking directly at the heart of their earning power, have caused investors to hold them in less esteem. This is seen in the sluggish action of their stocks in recent months. Another straw is the sale of large blocks of stock by certain General Motors officials. (Remaining holdings, however, are still huge.) Finally, statistical compilations of investment trust operations show some disposition towards the liquidation of automobile holdings.

Moreover, apart from the adverse labor developments and the rapidly mounting costs faced by the automobile companies, there is the not altogether unwarranted thought at the back of many investors' minds that automobile production cannot go very much higher. They can visualize the possibility of beating 1929's record output of 5,600,000 units either this year or next, but last year's output would (*Please turn to page* 782)

Special Dividend Opportunities

Companies Which May Pay Extras Before End of Their Fiscal Years

BY STANLEY DEVLIN

STILL fresh in the memory of most investors is the veritable flood of increased and extra dividends received in the closing weeks of 1936. A very considerable portion of these dividends was motivated no less by the desire to escape the new tax levied on surplus profits than a sizable and widespread improvement in earnings. There were, however, a fairly large number of companies whose fiscal year did not coincide with the calendar year and for this reason they were able to postpone action with regard to the disbursement of special and extra dividends. Among this group of companies are a number which will show earnings substantially in excess of recent dividends and it is logical to assume that in order to avoid paying a tax on surplus profits most of them will declare extra dividends in the near future, or prior to the close of their fiscal period.

The accompanying tabulation is made up of companies whose fiscal year ends subsequent to March 31, and which, on the basis of indicated earnings, appear to be promising candidates for favorable dividend action.

Extra Dividend Candidates

COMPANY	Fiscal Year Ends	Earned Per Share 1936	Earned Per Share 1937(e)	Divs. Paid 1936	Last Quarterly Payment	Recent Price	COMMENT
Amer. Agricultural Chemical	June 30	4.71	6.00	4.00	1.00	93	Fertilizer outlook promising and company's strong finances would permit disbursement of practically all net income.
American Car & Foundry	Apr. 30	Nil	0.75	None	....	64	Company likely to resume preferred dividends in early future and payments on common may be made before 1938.
Atlas Plywood	June 30	1.04	2.50	0.50	0.37½	27	Company's late earnings have shown strong uptrend. Dividends this year may total at least $2.
Black & Decker Mfg	Sept. 30	2.74	3.50	None	0.25	32	Dividends recently resumed and subsequent payments should be higher or augmented by a generous extra.
Champion Paper & Fibre	Apr. 26	1.26	2.00	1.00	0.25	57	Rising demand coupled with important operating economies reflected in net. Company may pay at least $2 this year.
Columbia Pictures	June 27	4.96	5.00	1.00(a)	0.25	34	Later results should reflect returns from recent successful releases. May pay a higher cash dividend.
Continental Steel	June 30	2.67	4.00	1.50	0.25	31	Improvement in late earnings likely to be sustained and higher dividends are a live possibility.
Dow Chemical	May 31	4.42	6.00	2.20	0.60	146	Indicated earnings foreshadow substantial extra dividend. Company continues to expand and new products promise important additions to earning power.
Food Machinery	Sept. 30	3.33	....	1.00	0.25	54	Company well able to increase present rate of dividends and payment of $2 or more would encourage conversion of 4½% preferred.
International Harvester	Oct. 31	5.66	....	2.50	0.62½	104	Change in fiscal year made company liable for a proportionate tax on surplus in 1936. An increase in present rate or a generous extra likely this year.
Liquid Carbonic	Sept. 30	3.16	5.00	1.85	0.65	52	Additions to company's lire has tended to reduce seasonal dependence and recent earnings improvement augurs strongly for increased dividends.
Loew's	Aug. 31	6.73	8.50	3.50	1.00(b)	77	Company earned $2.14 a share in November quarter. Outlook continues promising and company should pay a sizable extra later this year.
Paraffine Companies	June 30	4.56	5.50	2.75	1.00(c)	85	Improved price situation coupled with increasing demand for, building materials should reflect in higher net. May pay $4 or more in current dividends.
Procter & Gamble	June 30	2.39	4.00	1.87½	0.75(d)	58	Earned $2.03 for 6 mos. to Dec. 31, last. Increased prices should offset higher raw material costs. Further extras likely.
Sherwin-Williams	Aug. 31	8.04	....	4.00	1.00	150	Further expansion in current demand for paint indicated. Shares in line for larger dividends or a substantial extra.
L. S. Starrett	June 30	2.72	5.00	1.80	0.75(f)	42	Earned $2.16 for the 6 mos. to Dec. 31, last. Sustained demand for company's products (precision instruments) indicated. Futher extras probable.
Waukesha Motor	July 31	1.83	2.75	0.70	0.25	33	Recent sales reported to have gained sharply. Company may pay extras sufficient to bring total dividends up to $2 for current fiscal period.
Wesson Oil & Snowdrift	Aug. 31	4.40	....	2.50	0.62½(b)	52	Demand has gained and net for 6 mos to Feb. 28 was equal to $3.51 a share. Larger extras likely.

(a)—Plus 5% in stock. (b)—Incl. 50c extra. (c)—Interim dividend. (d)—Incl. 25c extra. (e)—Estimated. (f)—Incl. 40c extra.

Own Some Oils for Protection and Profit

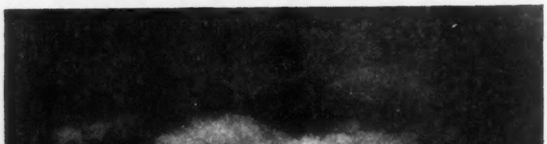
An Appraisal of the Outlook for Petroleum Stocks With Specific Suggestions

BY BARNABAS BRYAN, JR.

WHEN the market has advanced almost continuously for two years, it is time for the investor to consider whether his securities are the ones he would prefer to own in the event of an unexpected decline in the market. In the light of this thought, it is suggested that you keep your oils and consider the advisability of switching into the oils. Oil securities should be held for investment until a definite shortage of oil develops, in spite of the fact that they would go down part way in a market break.

The current production of crude oil and the stocks of gasoline do not of themselves reveal the true position of the oil industry under proration. The important things are the rate of discovery of new oil pools, the control of the fields discovered, the available excess potential production which is being held back, and the balance among the market products of crude oil. These fundamental factors point to a continued increase in the prosperity of the oil industry.

The increase in gasoline stocks is no greater than the increase in gasoline demand. They are related to the fact that distillate fuel oils for house heating are selling too low. Their price should advance until a balance is naturally produced between the stocks of gasoline and fuel oils. This can only happen through further advance in the price of crude oil. It is doubtful if the price of crude oil can be held down to its present level throughout the present summer.



Nesmith.

Gasoline stocks are reported large but heavy demand continues and promises to grow to record proportions

Looking over the field situation we find that during the past two years, the new pools discovered about equal or slightly exceed the amount of oil taken from the ground. Thus, one could say that the industry will not be able to advance prices any further for some time to come. The shallowness of that conclusion is evident when it is realized that the new discoveries are being handled by proper engineering methods, which prevent rapid, wasteful development. The oil will be produced for a profit in all such cases, and that means the elimination of the old "flush" production of a new field with the accompanying break in prices.

The older fields are slowing down. It is much easier to enforce proration today than it was a year ago. It is now generally conceded that to raise the production of East Texas would be dangerous to the life of the field by lowering the amount of oil to be later recovered by present methods. There is very little cry for more rapid production, in spite of the fact that the field situation is "tight" and many refiners would like to get more crude. Further north, the Oklahoma City field has ceased to be a menace. The poten-

Among the Favored Oils

COMPANY	Earned Per Share 1936	Divs. Paid 1936	Recent Price
Barnsdall Oil	1.00	0.80	33
Continental Oil	2.30(e)	1.50	45
Mid-Continent Petroleum	2.50(e)	1.15	35
Phillips Petroleum	4.20	2.50	58
Pure Oil	1.63	None	23
Union Oil of California	1.40	1.00	27
Creole Petroleum	N.F.	0.50	34
Humble Oil	3.90(e)	1.50	85
Ohio Oil	0.70	0.60	21
Gulf Oil	1.75(e)	0.75(b)	60
Texas Corp	4.00(e)	1.50	58
Socony-Vacuum	1.30(e)	0.70	19
Standard Oil California	1.60(e)	1.20	48
Standard Oil (N. J.)	4.00(e)	2.00	74
Amerada	2.60(e)	2.00	113
Imperial Oil	N.F.	1.25	23
International Petroleum	1.65(a)	2.50	37

(a)—Fiscal year ended June 30.
(b)—Giving effect to 100% stock dividend 12/21/36.

tial is so completely gone, that proration may be eliminated there in the near future. The true situation in California is shown by decreasing shipments to the East Coast.

The lack of balance between stocks of gasoline and distilled fuel oils is due in part to the rapid growth of house heating by oil and in part to the changed quality of the average crude oil produced. The market for fuel oil was developed while the supply of low grade crude oil was excessive. As the depth of the average oil well increased, the character of the oil changed, always becoming higher in gasoline and lower in fuel residues. This trend may be expected to continue, since depth normally means a better reservoir for the oil pool and therefore a higher grade oil. Thus it may be expected that the average new field discovered will give an oil high in gasoline and low in fuel residues. The market must adjust itself to this change, by restricting the use of fuel oil in relation to gasoline, which can happen by a rise in the price of fuel oils and crude in relation to gasoline. The change can be retarded by the importation of more heavy crude or the unexpected discovery of large new fields of heavy crude.

This situation reveals the start of an undersupply of oil. Fuel oil has been and must continue to be a by-product of the production of gasoline, and if the supply has changed in content, prices must adjust the demand to the supply. It is, of course, possible that oil men will be so foolish as to overproduce gasoline in order to bring about their own ruin by heating houses too cheaply. In this case, such a condition should not last long, because the dangerous shut-in production is decreasing rapidly. The mal-adjustment has not progressed so far as to be a serious hazard to gasoline prices during this year.

The phenomenal demand for gasoline is likely to last another twelve-month, regardless of any possible decline in business activity. The cars are in existence to use the gasoline and the desire to use the cars will cause economy elsewhere before the use of gasoline is restricted. There are no indications that the total mileage of busses and trucks will be curtailed in the near future, if ever.

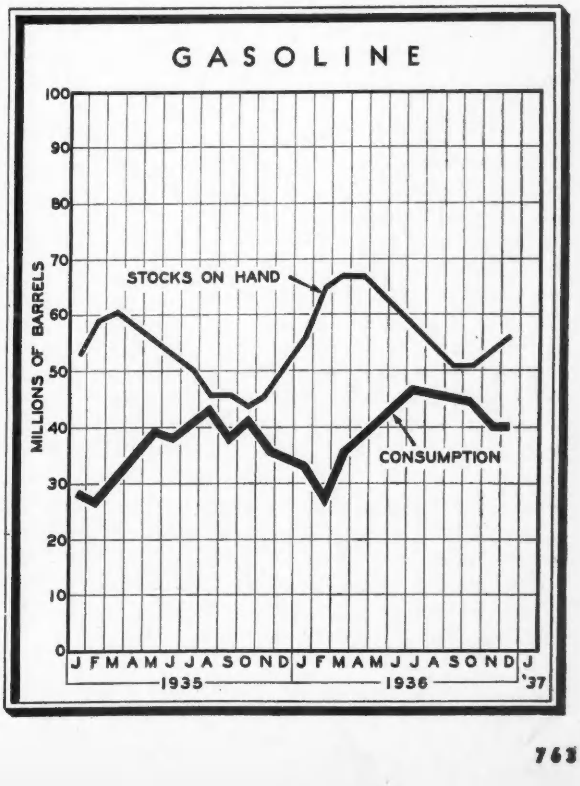
The note of caution which may have been detected by the reader is entirely due to recent proposals in regard to the Supreme Court. In case the court is changed in such a way that the N R A could be validated, it may be expected that industry will be confronted by control of its markets on the one hand, and a labor monopoly on the other. This is what started the rails on their long decline. Profits would vanish and the market would anticipate the news.

Selection of Companies

Since the improvement in the oil industry is fundamental and results from a change in the nature and control of supply, the main point is to own some good oils. If oil and its products are to work higher in price, then all solvent oil companies will find it easier to make money and in time their securities will reflect the change. Income from dividends will also reflect the difference in earnings and a stock which now shows a moderate yield may show a high percentage next year on this year's price.

There are good arguments for each of the varying groups within the industry. We incline, however, to favor the crude oil companies somewhat above the others not only because of the larger profits to be made in this branch but also for the inflation hedge which such investments afford. Those who concur in this view should certainly own Creole Petroleum and Humble oil and should look with favor on Amerada, Barnsdall, and Ohio Oil.

Among the integrated companies which reflect the American domestic industry, there are a goodly number which are worthwhile. A desirable selection might include Continental, Pure Oil, *(Please turn to page* **790)**



Profit Possibilities and Current Income Offered by Convertibles

BY J. S. WILLIAMS

During the past year there has been a steady increase in the number of new convertible bonds and preferred stocks and the popularity of the conversion feature as a financing medium shows no signs of waning. Both from a corporate and investment standpoint the convertible issue has several advantages. A company, by issuing convertible securities, is enabled to set a lower interest or dividend rate than might otherwise be the case, and still assure ready acceptance of the issue by investors. Also a company availing itself of the convertible device does so in the belief that it may never be necessary to refund or retire the issue from cash resources. The convertible feature is intentionally designed to take care of retirement.

From the standpoint of the individual investor, a convertible bond or preferred stock offers the implied protection of its senior position in the company's capital structure, while the potential value attaching to the conversion feature promises important price appreciation. Moreover, in addition to offering an opportunity for sharing the speculative possibilities of a company's common stock, selected convertible issues yield a larger current return than could be obtained from the common shares.

Pertinent to the subject of convertible issues, however, is a word of caution. Once the conversion privilege has become valuable, at some point it would be advantageous for the company to call the issue, either in whole or in part, and in this manner force holders to convert. It is important, therefore, if serious losses are to be avoided that the investor supervise closely all convertible commitments against the possibility of redemption. Also, if at any time during the life of the convertible feature, the aggregate return on the stock which holders of the convertible issue would be entitled to receive is greater than that for the convertible issue, it would be advantageous to either sell the issue or convert. Various time and price limitations are usually embodied in a conversion feature and the investor is urged to familiarize himself with these and be guided accordingly.

The accompanying tabulation lists a selected number of bonds and preferred stocks which, in addition to yielding a fairly good return, possess conversion features of potential value. Several of these have been chosen without prejudice to the others for more detailed comment.

Consolidated Oil Debentures

Consolidated Oil Corp., debenture 3½'s 1951 accord holders the privilege of converting into the company's common stock at $25 a share until 1941, when the price increases to $30. Thus, while the shares are currently quoted about 8 points below the conversion price, the length of the time element lends considerable attraction to the debentures, providing in effect a long-term "call" on the stock at $25 a share.

The report of Consolidated Oil covering operations for the full 1936 year has not been issued but it has been reliably estimated that earnings available for the common stock will be in the neighborhood of $1.15 a share. This would be equivalent to an increase of more than 45% over 1935 and the best showing for the company since 1929. These results reflect in part the general improvement experienced by the oil industry as a whole last year, and more specifically the stronger trade position attained by Consolidated Oil and the substantial reduction in the company's funded debt. The net result has been a material strengthening in the company's credit position, entitling its funded obligations to a higher investment rating and enhancing the possibilities for larger earnings.

The debenture 3½'s are outstanding in the amount of $50,000,000 and ahead of the 14,000,000 shares of common stock are 56,758 shares of $5 preferred stock. Last year the company paid dividends including an extra of 25 cents totaling 80 cents a share on its common stock and recently the shares were placed on regular basis of 20 cents quarterly. In the light of the promising outlook for the oil industry this year, however, it is quite probable that extra dividends will be paid. In the event that the shares are placed on a $1 basis, it would be to the advantage of holders of the debentures to convert, in order to obtain the increased income.

A Bond with Attractive Warrants

Although the National Dairy Products 3¾% debentures of 1951 are not convertible the bonds have warrants attached, enabling debenture holders to purchase 10 shares of common stock at $25 for each $1,000 debenture. After May 1, 1938, the stock purchase price advances to $28. That these warrants may become quite valuable is suggested by prevailing levels for the

stock, which are just short of the purchase privilege.

Earnings of National Dairy recorded appreciable improvement last year and profits of $13,282,028 were nearly $4,000,000, or 42%, larger than in 1935. Fixed charges were covered better than five times and net available for the common stock was equal to $2.01 a share as compared with $1.38 a share in 1935. Results last reflected the benefits of increased sales and higher prices and the company appears likely to be favored by similar conditions this year.

The debenture 3¾'s were issued about a year ago in the amount of $62,545,500. The proceeds, augmented by $7,000,000 in bank loans, were used to retire $65,839,500 5¼% bonds, resulting in a savings in interest charges of more than $1,000,000 annually. The indenture of the bonds provides that all proceeds derived from the sale of stock to warrant holders will be utilized to retire the bonds. If all warrants are exercised, 625,000 additional shares of stock would be issued and the company would realize between $15,625,000 and $17,900,000, with a corresponding reduction in the amount of debentures outstanding. This eventuality, of course, would not only strengthen the position of the remaining debentures, but would also enhance the equity position of the common stock. Affording a current yield of about 3½%, the debentures offer a sound investment medium plus a potenially profitable stock purchase feature.

Yield of 4% with Conversion Privilege

With the proceeds of $8,198,178 derived from the sale of 285,000 shares of 5% convertible preferred shares ($30 par) last November, Butler Brothers retired $5,176,000 5% debenture bonds on February 1, last and added something over $3,000,000 to working capital. The preferred shares constitute the company's senior capital liability. Holders have the privilege of converting each share of preferred into two shares of common stock up to December 1, 1938, after which the conversion drops to 1¾ shares of common.

Butler Brothers is one of the oldest wholesale merchandising organizations in the United States. In late years, however, the company has extended the scope of its operations to embrace the operation of a chain of variety and dry goods stores and the promotion of cooperative buying on the part of independent merchandisers throughout the country. Formerly the company's business was largely of a mail order nature, but today direct selling plays an important part. In its capacity as a jobber, the company offers independent merchants a wide variety of merchandise, including furniture, hardware, dry goods, jewelry and cutlery. Retail activities include the operation of two chains—the Scott 5c-to-$1 stores in the Middle West and the L. C. Burr dry goods stores in the Southwest. Acting in an advisory capacity and furnishing retail assistance to some 4,000 variety and dry goods stores, the company assures itself of some $30,000,000 in business annually from these sources.

The company's sales and earnings have shown steady improvement since 1932 and last year gross of $81,302,409 compared with $73,085,491 in 1935. Net income last year totaled $1,908,100, or the equivalent of $1.73 a share for the 1,102,667 shares of common stock, comparing with $1.17 a share earned in 1935. Last December, the company paid a dividend of 60 cents a share on the common, the first since 1930, and earlier this year another payment of 15 cents was declared. The rising tide of retail sales *(Please turn to page 790)*

Convertible and Stock Purchase Bonds

Issue	Recent Price	Current Yield	Common Stock Price	COMMENTS
Consolidated Oil Deb. 3½s, 1951	104	3.4	17	Convertible into stock at $25 until 1941. Earnings in '36 estimated at $1.10 a share on common. Debs. attractive for income and appreciation. Call price 105.
Great Northern Rwy. Series H 4s, 1946	110	3.6	52	Convertible into stock $75. Stock earned about $4 a share last year and divs. may be resumed this year. Call price 105. Attractive for income.
United Stockyards Corp. Coll. Tru. 4¼s, 1951 (W. W.)	99	4.3	7	Warrants entitle holders to purchase 30 shares of common at $10 a share. Bonds attractive on yield basis and for potential value of warrants.
Studebaker Corp. Deb. 6s, 1945	144	(a)	18	Convertible into stock at $12.50 a share. Attractive speculation based on ability of company to extend recent gains. Call price 100.
National Dairy Products Deb. 3¾s, 1951 (W. W.)	105	3.5	25	Attached warrants entitle holders to purchase 10 shares of common at $25 for each $1,000 debenture. Bonds yield fair return and warrants have potential value. Call price 105.

(a) Bonds quoted "flat." Interest at 3% annually is a fixed charge; balance payable out of earnings at discretion of directors until Jan. 1, 1938.

Convertible Preferred Stocks

Issue	Recent Price	Current Yield	Common Stock Price	COMMENTS
Atlantic Refining 4% Conv.	112	3.6	34	Convertible during 1937 into common at $36 a share. Common pays $1 dividend. Earned $2.59 in '36. Preferred attractive for income and profit. Call price 105.
Bangor & Aroostook 5% Conv.	108	4.6	43	Convertible into 2 shares of common by payment of $5 for each preferred share held. This is equal to $52.50 conversion price for common. Shares have merit for income and over long term possibilties for price enhancement. Call price 107½.
Butler Bros. 5% Conv. ($30 par)	34	4.4	17	Convertible into 2 shares of common to Dec. 1, 1938. Common paid 60 cents a share last year and earned $1.73. Preferred yields a fair return and prospects favor further earnings gains. Call price 32½.
Glidden Co. 4½% Conv. ($50 par)	56	4.0	47	Convertible into 9 shares of common for each 10 shares of preferred until Mar. 1, 1939. Common earned $3.29 in 1936 fiscal year and current earnings are higher. Larger common div. likely and would enhance conversion feature. Call price 55.
Otis Steel 5½% First Conv.	92	5.9	22½	Convertible into common at $25 until Mar. 15, 1938, and at $33⅓ until 1944. Common earned $1.31 last year. Outlook favors further gains. Shares semi-speculative but have interesting possibilities. Call price 105.
Westvaco Chlorine Pdts. 5% Conv. ($30 par)	33	4.4	25	Convertible until Sept. 1, '38 into 1 1/10 shares common; until Sept. 1, '40 into 1 share. Common pays $1 in divs. and earned $1.47 a share in '36. Shares have merit for income plus longer term possibilities for price gain. Call price 33.

Prosperity Returns to Southern Rails

Investment Opportunities in Four Issues

BY EDWIN A. BARNES

THE past year witnessed marked gains in railroad traffic and revenues and nearly all of the major systems recorded larger earnings. In the case of some carriers the improvement was modest, while for others the gains were quite substantial by contrast with 1935. Particularly noteworthy was the showing made by the Southern group. Of about a score of railroads reporting the most conspicuous gains in earnings last year, ten of them were roads serving the South. The ability of this group of roads to make a uniformly good showing is in itself notable—but it is also of particular significance in that it reflects in a large measure the increasing importance of the South as an industrial region.

Although complete data are not available, there can be no doubt that for some time there has been a steady trek southward by all types of industries. During the past year, however this movement gathered increasing momentum and was vividly dramatized by the announcement of the United States Steel of its intention to spend $29,000,000 in expanding its producing facilities at Birmingham. The erection of new plants by various units in the paper industry will account for at least another $25,000,000, to which must be added the large expenditures announced by chemical, rayon, tin plate, packing and paint companies for the erection of additional plant facilities throughout the South. In the wake of this movement on the part of Big Business, thousands of smaller businesses and merchants have contributed their efforts to bring about what promises to be a salutary and far-reaching change in the economy of the South.

The South has been brought into the industrial limelight for reasons, which in the present setting, are not difficult to understand. Federal legislation enacted during the past four years has had, and will continue to have, a profound effect upon production, labor and distribution. In self-defence industry is decentralizing, locating itself in sections where the labor situation is more favorable, seeking closer alignment to raw material sources, and the closer proximity to important markets. The cost of power and transportation are important considerations and the factor of taxes is a considerable item. In fact, tax concessions are one of the principal inducements being held out by many Southern cities in their efforts to attract new industries.

It is not difficult to envisage the favorable effects which this movement may well have upon the revenues and earnings of the principal railroads serving the South. Such products as cotton, lumber, coal and citrus fruits have long been the chief factors determining the movement of freight traffic by Southern carriers. Industrial expansion will not only enlarge the diversity of traffic and lessen the dependence of these roads upon crop sizes, but it should increase the proportion of originated freight carrying higher rates. The movement of merchandise into the South will likewise be greater.

The potentialities of the foregoing developments have not gone unnoticed marketwise and the substantial rise recently witnessed in the shares of most Southern roads attests the extent to which investment and speculative interest has been attracted to this group. Acquired, however, with a view to holding over the months ahead, selected issues among these roads would appear to possess well defined merit and potentialities of further sizable gains in price. Four of these issues have been chosen for detailed comment.

Illinois Central

Earned per Share 1936	Earned per Share 1935	Recent Price	Div.
d0.25	d8.13	36	None

d) Deficit.

The Illinois Central system provides the shortest traffic route from the Great Lakes to the Gulf, traversing the Mississippi valley and with termini at Chicago and New Orleans. Among other important cities served are included Omaha, Indianapolis, Louisville, St. Louis, Memphis, Birmingham and Vicksburg. A subsidiary, Central of Georgia Rwy., operates in Georgia, Alabama and Tennessee, reaching such cities as Chattanooga, Atlanta, Montgomery and Savannah. This territory provides the road with an exceptionally broad diversification of traffic.

Reflecting an increase of about $17,500,000 in operating revenues, accompanied by a substantial reduction in maintenance outlays, operating income in 1936 increased about $10,400,000 to over $17,000,000 and in place of the deficit of nearly $10,000,000 suffered in 1935, the road earned fixed charges in full by the margin of $765,000. The latter figure was equal to better than $4 a share of the 6% preferred stock. Last year's showing was the best since 1930.

Funded debt of Illinois Central system totals about

$378,000,000 and comprises about 70 per cent of total capitalization. Ahead of the 1,357,995 shares of common are 186,457 shares of non-cumulative 6% preferred stock. The capital set-up is such that considerable leverage is imparted to the common stock, suggesting the possibility of a substantial gain in per-share earnings, with the benefit of only a comparatively modest gain on traffic and revenues. Financial position of the road has improved and the maturity of a $12,500,000 note issue next June will doubtless be taken care of without difficulty.

Currently selling around 36 Illinois Central common has recovered nearly 100 per cent from its 1936 low. However, with the road strategically situated to participate prominently in the industrial recovery throughout its territory, the promise of material improvement in the earnings position of the stock appears to be sufficiently assured to lend attractive speculative possibilities to the shares.

Southern Railway

Earned per Share 1936	Earned per Share 1935	Recent Price	Div.
1.01	d3.48	40	None

(d) Deficit.

Probably to a larger degree than any other major system, the fortunes of Southern Railway are dependent upon the prosperity of the South. With the single exception of West Virginia, the road serves every state south of the Potomac and Ohio and east of the Mississippi Rivers and the system is laid out in such a manner as to give it important competitive advantages. Southern originates about half of its freight traffic and in addition to such large cities as Washington, Richmond, Norfolk, Atlanta, Savannah, Birmingham, Cincinnati, New Orleans, Memphis, St. Louis and others, the road serves an imposing group of smaller cities and towns of commercial importance. As might be expected from the breadth of this territory, traffic is well diversified. Soft coal is the most important single commodity, with petroleum products and lumber products ranking in that order. Manufactured, miscellaneous and L.C.L. freight accounts for more than half of total freight revenues.

Industrial upturn in the South shows a corresponding increase in revenues for southern carriers.

Last year Southern reported the largest operating revenues since 1931 and net income was the largest since 1930. Fixed charges of about $16,800,000 were covered 1.26 times and balance available for the 600,000 shares of 5% non-cumulative preferred stock and 1,298,200 shares of common was equal to $7.18 and $1.01 a share respectively. The ratio of funded debt to stock capitalization is about 6 to 4, indicating the presence of an important leverage factor for the common stock.

Accompanying the larger revenues and earnings, has been a considerable strengthening in the road's financial position. Net working capital of $7,460,000 at the end of last year was nearly triple the 1935 figure. Cash exceeded $12,500,000. Improved earnings have also enhanced the probability that R.F.C. advances of $19,334,-204 can be advantageously refunded.

Revenues thus far in the current year have continued to gain and while it is likely that costs will be larger, the road should derive considerable benefit from the larger movement of steel products, the expanding paper industry and sustained activity in such industries as textile, canning and chemical. On the whole, therefore, there appears to be a good chance that Southern may earn $4 a share or better on the common stock this year. Speculative commitments based on such possibility might be given favorable consideration at recent levels around 40.

Louisville & Nashville

Earned per Share 1936	Earned per Share 1935	Recent Price	Div.
8.23	3.53	96	None

In only a single year during the depression did Louisville & Nashville fail to earn fixed charges. In 1932 net income was equal to about 80 per cent of fixed charges and the following year was the only one in which no dividends were paid on the common stock. The fact that the road's depression showing is outstanding among southern carriers reflects principally the advantages of a comparatively modest funded debt, rather than any unusual immunity of traffic and earnings to the ravages of depression. As a matter of fact with bituminous coal comprising about 60 per cent of total freight tonnage handled, Louisville & Nashville revenues and earnings are particularly sensitive to industrial activity. In the present circumstances this is a most promising factor, as witness the 1936 showing of the road.

Gross revenues last year *(Please turn to page 782)*

For Profit and Income

National Enameling & Stamping

Despite the handicap of unsatisfactory price conditions for part of its line, National Enameling & Stamping earned the equivalent of $2.99 a share last year, compared with $2.72 a share in 1935. The company's president said that although prices were increased in the enameled, tin and galvanized ware division, it was not found possible to raise selling prices to correspond with higher costs. Nor were selling prices satisfactory for steel barrels which the company manufactures for the oil and paint trades; volume, however, increased last year. On the other hand, it was said of the company's new electric roasters that sales were "extremely gratifying." Over the past decade or so National Enameling & Stamping's kitchen line has met considerable competition from aluminum and other materials. As an example of decreased activities it might be noted that sales last year of $10,700,000 were less than half those of ten years ago. The company, however is to be congratulated for its adjustment to the changed conditions. Plants and investments have been sold; funded debt and preferred stock have been eliminated; large amounts of common stock have been bought in the open market and retired. Today, the business is owned lock, stock and barrel by the holders of 114,775 shares of common stock. With the sales trend of almost all household equipment trending upward sharply and, in view of the excellent reception being given the company's new electric line, it would seem that around $35 a share some consideration might be given the common stock of National Enameling & Stamping as an income producing medium.

Phillips Petroleum

Reporting earnings for 1936 equivalent to $4.22 a share on the average number of shares outstanding, compared with $3.23 a share in 1935, Phillips Petroleum last year made the best showing in a decade. At the end of 1936 Phillips had 3,688 producing oil wells and 195 were being used for re-pressuring purposes. The company continues to maintain its lead as the most important supplier of gas from which carbon black is made. Some 44 per cent of the nation's production of carbon black was made from gas supplied by Phillips. Last year Philgas made further gains, sales for the period being 51 per cent above those of 1935. Over the past few years Phillips Petroleum has greatly improved its financial and trade position and, although the stock at $55 a share recognizes in part at least the better status, the outlook for business in general and the oil industry in particular is such that additional gains appear likely.

Dairy Companies Less Dependent Upon Fluid Milk

The dairy companies over the past few years have been subjected to a great deal of political pressure, centering in the fluid milk division. Developments have caused stockholders considerable alarm and for this reason they will be gratified to learn of the division's lessening importance. The president of National Dairy Products referring to the operations of his company last year said: "A notable feature of 1936 operations was a considerable increase in earnings from our manufactured milk products, salad products, and by-products business. These divisions have accounted for a steadily larger proportion of National Dairy's net for several years . . . consequently our fluid milk operations have declined in relative importance." This was confirmed by the president of the Borden Co. who said that fluid milk profits in 1936 were only 11% of net earnings and that from the sale of 781,000,000 quarts the profit was one-ninth of a cent a quart. In 1936 National Dairy Products earned the equivalent of $2.01 a share on its common stock, compared with $1.38 in 1935; while the Borden Co. earned $1.80 a share last year, against $1.10 in 1935.

Metal Stocks

As this is written the tremendous rise in metal prices has topped out. Copper abroad is appreciably under its best levels, while for two days running the country was confronted with the unusual spectacle of St. Joseph Lead making reductions in the price of its product. However, because the boom in metals rests upon so firm a foundation—a foundation which includes a rapidly mounting commercial demand on which there is being superimposed the enormous requirements of a world-wide armaments' race—there

is every reason to suppose the current hesitation to be merely temporary. Even should the resumption of the upward trend of prices be somewhat slower in developing than expected, stockholders in the metal companies have little cause for worry, for the anticipated increase in volume alone guarantees larger profits. Although shoestring speculation in the metal shares obviously is dangerous at this point, we see no reason for disturbing long-term holdings of these stocks.

Allied Chemical

Earnings last year for Allied Chemical & Dye, equivalent to $11.44 a share of common stock, were about up to expectations. In 1935 the net profit, after dividends on the preferred stock, which has since been retired, was equivalent to $8.71 a share on the common. Because Allied was enabled to deduct the premium of more than $8,000,000 which was paid in retiring the preferred, the tax on undistributed profits was almost negligible, despite the fact that the regular $6 dividend was earned nearly twice over. This, however, done once cannot be done again, and if this year's earnings are well above 1936, as they might well be, it would seem as if stockholders had strong reasons for anticipating more liberal treatment. The company's principal outside investments remain unchanged—224,000 shares of United States Steel and 270,000 shares of Air Reduction. These investments are carried at a cost of $22,839,350 and at the end of last year had a market value of $38,532,000.

Luxury Companies

Business improvement, a large and widespread increase in purchasing power, coupled, it must be admitted, with a lessened inclination on the part of the individual to lay up something for the future, are reasons enough for expecting the manufacturers of luxuries to show improvement. Recently, of course, the stocks of these companies have been doing better, but the possibility of a veritable boom holds out the prospect that they may do better yet. A list of stocks in the luxury field would include such companies as Coty, International Silver, the watch companies, Bulova and Hamilton, and the fur companies, Hollander and Eitington Schild.

Stocks of Gasoline Large

With gasoline stocks above the 81,000,000 barrel mark, a record-breaking figure, it is rather surprising to note that the oil stocks are by no means the weakest group marketwise. It is evident that many believe that large as these stocks are compared with the stocks of 73,000,000 barrels which were held at this time last year, there is relatively little difference between the two totals when consideration is given to the demand factor. The view seems to be a reasonable one to take.

Developments in Companies Recently Discussed

Southern Pacific. Made an excellent January and February showing, both gross and net showing gains among the largest in the country. Despite the settlement of the West Coast strike from which the company obtained large benefits, revenues have continued to run far above last year.

McKeesport Tin Plate/National Can. Stockholders of both companies have approved a merger. McKeesport Tin Plate Corp., a new Delaware organization, will issue two shares of its stock for each share of the present companies.

American Tobacco. Broke sharply on the earnings report for last year which showed the equivalent of $3.71 a share for the common stock against $4.57. It had been freely predicted that the company would report enough to cover the regular $5 dividend. It was known, of course, that costs were up sharply, but it had been thought that higher volume would more than offset the rise in costs. While the higher volume materialized, evidently not enough allowance was made for the adverse factors.

Greyhound Corp. Report for 1936 makes the point that revenues dropped 16½ per cent in the East during the last seven months of the year, following the cut in railroad passenger fares. There was, however, an over-all gain of 5.3 per cent, owing to the rise in revenues in other parts of the country.

U. S. Steel. Benjamin Fairless, president of Carnegie-Illinois, the company's largest subsidiary, recently forecast that his organization would operate at 85 per cent, or virtually the practical capacity, for the next six months.

New York Air Brake. Official statement has been made that the company's earnings may exceed the equivalent of $1.60 a share for the first quarter of the present year.

Mathieson Alkali. Is reported to be planning a large chlorine plant in the south with a view to placing itself in a position to supply the bleaching needs of the many new paper companies that have sprung up in southern territory.

Pittsburgh Plate Glass. Has joined with the Corning Glass Works in the formation of a new company whose business it will be to manufacture and sell glass in some of the new architectural forms such as glass brick, glass tile and molded glass.

Owens-Illinois Glass. While on the subject of glass, it might be noted that the glass insulation manufactured by this company, which has been so successful under the steel tops of automobiles, is being applied in the form of a blanket to boilers.

St. Joseph Lead. President states that higher prices for lead, zinc and copper might benefit aluminum appreciably.

Standard Oil (New Jersey). Oil concessions in Bolivia have been cancelled by the Government of that country. Company is to contest the Government's contentions.

Paper Stages a Recovery

Newsprint Lags Behind Other Divisions, But All Show Improvement

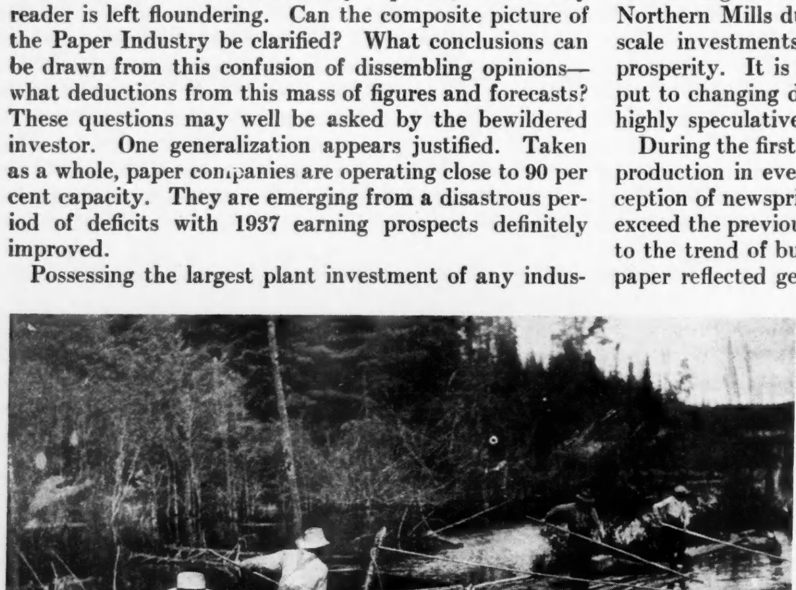
BY HERBERT L. RUSTON

"OUTLOOK for Paper Industry Good"—"Industry Stages Comeback From Depression"—"Shifting Operations Render Paper Securities Speculative"—"Newsprint Output of North America Tops Record of 1929"—"Kraft Capacity 50 Per Cent above 1935 Level"—"Newsprint Prices Near Depression Low"—"Spectacular Profits in Southern Kraft"—"Paperboard Prices Marked Up as Backlogs Swell"—"Fears of Over-Production Dispelled."

In this welter of contradictory captions, the cursory reader is left floundering. Can the composite picture of the Paper Industry be clarified? What conclusions can be drawn from this confusion of dissembling opinions—what deductions from this mass of figures and forecasts? These questions may well be asked by the bewildered investor. One generalization appears justified. Taken as a whole, paper companies are operating close to 90 per cent capacity. They are emerging from a disastrous period of deficits with 1937 earning prospects definitely improved.

Possessing the largest plant investment of any industry per dollar of sales, operation at a higher percentage of capacity is essential to cover charges and carry overhead. In periods of reduced demand, drastic price cutting becomes general to maintain maximum tonnage. This characteristic is responsible for the dizzy peaks and deep valleys in the past cyclical curve of earnings—a characteristic which can be modified perhaps in the future but never entirely eliminated. There is little prospect of contracting the four or five hundred millions invested in Northern Mills during depression or checking new large scale investments in Southern slash pine mills during prosperity. It is this lack of flexibility in adapting output to changing demand which renders the paper stocks highly speculative.

During the first quarter of this year demand is pressing production in every branch of the industry with the exception of newsprint and here consumption requirements exceed the previous record peak of 1929. Super-sensitive to the trend of business conditions, favorable activity in paper reflected general recovery in 1936. With further improvement in retail trade, heavier shipments of packaged goods, increased magazine and newspaper advertising, demand for practically all types of paper should continue to expand. Thus buttressed by forward orders, the restoration of a better price level is in prospect.

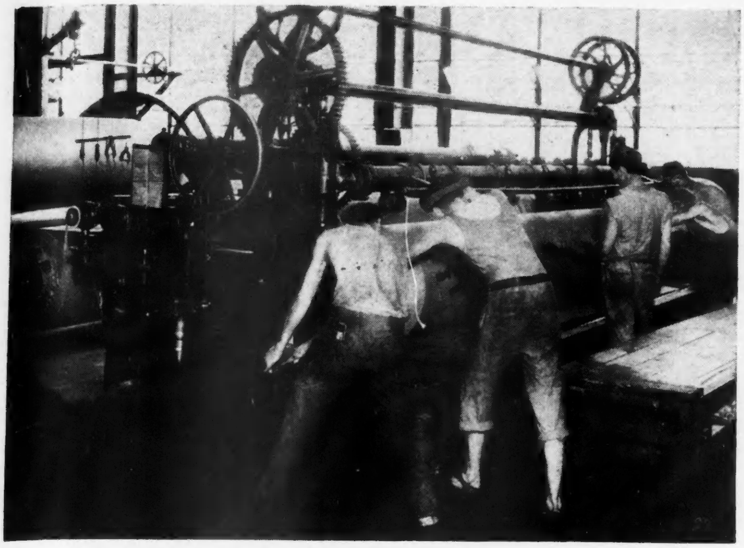


Photos in this article courtesy International Paper Co.

Paper's Raw Material en route to the mill.

Kraft Paper Profits in the Bag

It would appear from current company reports that profits from Kraft were already in the bag—literally in heavy and light duty bags, also wrapping paper, paper boards and liners. Demand thus far exceeds supply—high profit margins have been maintained and a back log of orders promise a continued substantial market. The salient feature of the industry has been the shift of producing units to the South. Fostered by rich resources of cheap, rapid growth slash pine, low wage scales and accessibility to



Removing a Giant Roll of Finished Wrapping Paper from Mill.

raw material supply, this movement has gained spectacular proportions, particularly during the last two years. Net result—operating costs cut between thirty and forty per cent; imports reduced 37%; plant construction completed or to go into operation this year 50% above 1935.

Companies participating in Southern low cost manufacture include Meade and Scott, through a joint mill at Brunswick, Georgia, Champion Paper at Houston, Texas. Container Corporation, Union Bag and Paper and International Paper through its subsidiary Southern Kraft are all constructing new producing units. The total of manufacturing facilities planned should accommodate 1936 domestic pulp demand of 2,100,000 tons, but additional capacity will no doubt be needed to satisfy an anticipated augmentation in consumption for the next two years—trade estimates 2,300,000 tons in 1937, 2,600,000 tons in 1938.

With the disastrous results of newsprint over-production still in mind, some fears are entertained that the Kraft industry is headed toward a similar catastrophe. In certain respects, the tremendous expansion in manufacture presents a close parallel but whereas plant extension in newsprint contributed one article to the supposed insatiable demand, Kraft manufactures not only replace less efficient products but also introduce a wide range of new lines to the market. Therefore since equipment to go into operation during the course of 1937 should satisfy demand until the year end, a near term period of rising Kraft prices are in prospect. Later on, a year or more hence, unless steps are taken subsequently to curb the trend of plant additions price irregularity may develop, but certainly not in 1937.

Favorable Prospects for Paper Containers

Paper board is in a somewhat different position. This division of the industry, which is concerned with the production of building and binding paper, corrugated and chip board, cartons, shipping containers has already suffered severe trials in competition and price cutting and is now facing and expanding demand which promises fair stability. Furthermore markets have been broadened by the development of many new types of containers of cheaper cost, less bulk and more attractive display features than wooden boxes. Paper board, dependent as it is for raw material supply on the fluctuating values of ground wood pulp, cheap rags, straw and mixed and unused paper, possesses to an extreme degree the primary characteristic of other manufacturing branches of the paper industry—sensitiveness to the trend of general business conditions. Due to close association with consumer trade, nominal consolidation of capacity following absorption of smaller units by stronger companies such as Container Corp., Robert Gair and Southern Paper together with the enforced stabilizing effects of the National Recovery Act, swings in paper board will not be as wide in range as those of the heavier industries. On the other hand periods of increased general production in other industries will be reflected in higher paper board demand and mounting paper board prices. In fact the presence of these two factors accounts for the current prosperity of manufacturing companies. So long as general business continues upward *(Please turn to page 790)*

Leading Paper Manufacturers

Company	Products	Earned per Share 1936	Recent Price	Divs. Paid 1936
Champion Paper & Fibre	Book, kraft, manila and bond papers. Chemicals	*2.00(a)	53	1.00
Container Corp	Paper, shipping and display cartons and paper boxes	*2.00	30	1.25
Crown Zellerbach	Newsprint, wrapping and tissue papers. Corrugated containers	0.41(b)	20	None
Gair (Robert) Co.	Paper cartons, shipping cases, paper board	0.46	13	None
Int'l Paper & Power	Newsprint, kraft, book and bond papers	Nil (c)	18	None
Kimberly-Clark	Book, magazine and rotogravure papers. Specialty paper products	*1.30	39	1.00
Mead Corp	Book, magazine and corrugated papers	1.22	28	None
St. Regis Paper	Heavy paper bags and kraft and catalogue papers. Holds 1,342,000 shs.United Corp. com.	NF	8	None
Scott Paper	Toilet tissues and paper towels	1.67(d)	42	(d) 1.07½
Sutherland Paper	Paraffined cartons, paper containers and speciality items	2.54	38	1.80
Union Bag & Paper	Bags and wrapping papers	0.94(e)	85	2.00

*—Estimated. (a)—Year ended April 30, '37. (b)—9 mos. to Jan. 31, '37. (c)—Earned $5.26 on 7% pfd. vs. loss in 1935. (d)—Giving effect to 100% stock div. paid 1/11/37. (e)—12 mos. to Sept. 30. NF—Figures not available.

Taking the Pulse of Business

— New High Steel Rate

— Raw Materials Spurt

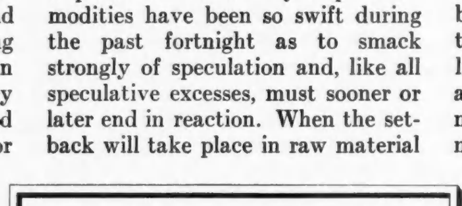
— Building Gains Continue

— Rail Revenues Higher

UNDER the spur of a suicidal armament race abroad and insurgent labor at home the per capita index of Business Activity has leaped forward at a phenomenal pace since our last issue, reaching a new high for the recovery. At 98.5% of the 1923-5 average, the country's per capita volume of production and shipments topped the corresponding level a year earlier by more than 30%. For the month of February our Index averaged 90.6, compared with 91.4 in January and 72.9 for February, 1936. During the first two months of the current year business activity averaged 22% better than for the corresponding period in 1936, and will probably make an even better comparison this month, despite the as yet mild recession occasioned by renewed outbreaks of labor trouble in the motor car and other industries. It is thus fairly safe to assume that business during the present quarter will be about 23% to 25% more active than during the first three months of 1936.

Gains in basic commodity prices during the past fortnight have been even more spectacular than the sudden expansion in general business volume, and have carried our Index of Raw Material Prices up to a new high for the recovery and an average level which exceeds that of a year ago by nearly 31%. This is inflation, or at least a fair beginning, touched off however by nonmonetary factors of which the more influential are foreign armament demands conjoined with monopolistic practices at home on the part of industrial management and organized labor.

Increases in business volume and in prices commanded by staple commodities have been so swift during the past fortnight as to smack strongly of speculation and, like all speculative excesses, must sooner or later end in reaction. When the setback will take place in raw material prices no one can predict with certainty; but it would surely be precipitated by a halt in the present mad armament race which, if prolonged, can end only in war or bankruptcy for Europe. It is an open secret that both England and the United States are making strenuous efforts to restore sanity in international relations, and there is a not altogether unfounded suspicion that John Bull still hopes to avoid the necessity of going through with his complete armament program. The success with which France's recent issue of national defense bonds has been met promises to strengthen, temporarily at least, the weakest link in Europe's diplomatic chain, and offers a modicum of encouragement that the world's political ailments may yet be resolved peacefully before civilization is engulfed in chaos. Meanwhile business men and investors on this side of the Atlantic will find it fully as important to watch developments abroad as to analyze conditions at home.



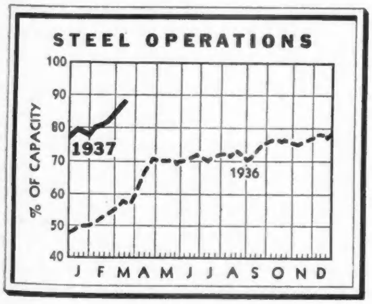
It would help materially to clear up the fog of theorizing on economic problems if business commentators and Government officials who undertake to direct this new-fangled planned economy would recognize that the role played by money during the inflation stage of a price cycle is merely *permissive*, and not causative. Surely we have had ample proof during the years of depression that cheap money does not of itself instigate either a rise in the price level or an increase in business activity; but that after psychological or industrial forces have initiated the spiral of improvement then continued expansion sucks an ever swelling volume of bank credit currency into the business stream until the supply is cut off by legal reserve restrictions. On the other hand, tight money does invariably check a business boom and precipitate a collapse in prices.

thereby initiating the downward spiral of deflation. Money serves as food to business and speculation. You may gorge a man with food; yet he will not work unless he wants to or has to, and even then cannot labor long on short rations.

Exciting causes of the present inflation movement are, as always, to be sought in excesses of demand over supply. On the demand side are expanding business activity, preparations for war, and the acquisitiveness of speculators and hoarders. On the supply end are obsolescence of plant, planned curtailment of production, international trade barriers, and a growing monopoly over working conditions on the part of organized labor. Chairman Eccles of the Federal Reserve Board hopes that this perfect combination of inflationary forces can be dissolved without resorting to the deadly bludgeon of tight money, suggesting heavier taxes as an alternative; but it is extremely doubtful if any measure short of a return to peace on earth can impose more than a temporary check upon the present inflationary movement until it collides with an unyielding credit barrier. It is this conviction which has been chiefly responsible for recent weakness in Government and other high grade bonds.

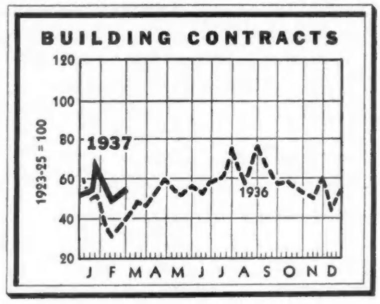
The Trend of Major Industries

STEEL—At close to 90% of capacity the steel ingot rate has ap-



proached the 1929 record, measured in actual tonnage. Tin mills are operating at 100%. Demand from all sources, domestic and foreign, continues unabated and little recession in output is looked for until the year-end holidays, barring labor trouble. Earnings of the leading steel companies for the first quarter will make exceptionally gratifying comparisons with profits for the corresponding period a year ago, despite increases in wages and in the cost of raw material. If wages and prices now were the same as last year, the huge increase in volumes would of itself cut unit production costs by about $10 a ton; so that recent price lifts of $3 to $8 a ton for finished products, which were designed to about offset the recent increases in wage payments, will in fact leave a large margin for higher profits. Insistent demand from Europe has congested our ports with scrap and pig iron waiting for bottoms to carry away this much sought after raw material, and prices are skying. Huge armament programs have created a tight situation in alloy steels and the ores from which these are made; so that all prices are mounting sharply.

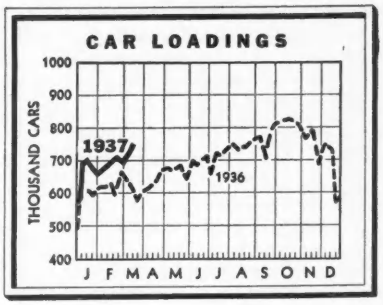
CONSTRUCTION—Construction contracts let in February in 37 States East of the Rockies amounted



to $188,600,000, an increase of 33% over February, 1936. This compares with a 22% gain for the first two months. The two months' increase in residential awards, however, came to 105%. According to a recent reliable estimate about $1,300,000,000 in new first mortgages should be placed this year, a figure which points to the erection of over two billion dollars worth of new buildings in addition to at least a billion in public and engineering units.

OIL—Gas and petroleum outputs have taken a sharp spurt during the past fortnight and stocks of both are beginning to accumulate at a rather unhealthy rate. Motor fuel stocks especially, at a level 13% higher than a year ago, are mounting faster than consumption. The statistical situation is not yet weak; but might become topheavy if the present rate of overproduction should be long maintained. Crude output is now running 20% ahead of last year, a pace which is obviously too swift for stability.

RAILS—On a daily average basis, the February increase of around 10.5% in operating income of Class I carriers was about the same rate of gain as reported in January over the corresponding month of 1936. Fare reductions combined with gen-



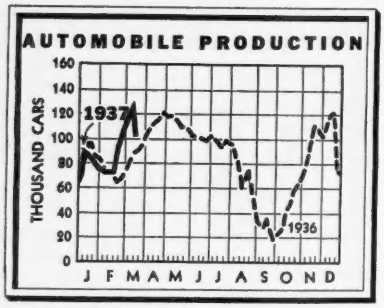
eral business improvement have caused a 40% increase in other than commutation travel over Eastern railroads, compared with gains of only 25% for Southern and Western roads.

Generally speaking it may be said that thus far gains in passenger gross income on Eastern roads under the lower fares have been about the same as would have been enjoyed with the old higher fares; but cost of haulage has been somewhat increased. In other words it looks as though the public spends approximately a fixed percentage of its income for railroad tickets, and so merely travels proportionately more when fares are low. From a longer range viewpoint, however, more passenger travel must tend to develop heavier freight traffic. The recent agreement on railroad labor pensions is expected to save the carriers around $50,000,000 annually. Of far greater moment, however, is the continued expansion in heavy goods traffic, which has always been the backbone of railroad income.

RAILROAD EQUIPMENT — Despite the gratifying expansion in equipment orders, manufacturers are not likely to report very satisfactory profits until price cutting producers have first absorbed all the business they can handle. In one instance freight car orders have been accepted

on a profit margin so low as $40 per car, whereas a 10% margin is considered reasonable and necessary under normal conditions. Manufacturers are also being handicapped by rising costs of raw material and the added expense of breaking in new labor.

AUTOMOBILES — Despite renewed plant closings by sit-down strikes—this time at the Chrysler, Hudson and Reo works—total motor

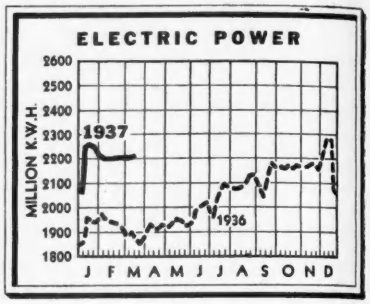


car output for the first quarter is expected to run about 12% ahead of last year's first quarter. Unit costs, however, are $25 higher for labor and $10 more for steel. The industry has found that normally about 6% of the national income is spent for new automobiles, practically a constant ratio. Consequently prices can not be advanced materially without risking possible loss of volume.

METALS — After spurting to nearly 18c the price of foreign copper has reacted at present writing to around 17c, and some observers believe that this marks the culmination, for awhile at least, of the copper boomlet. World output of refined and blister copper during February exceeded apparent consumption by 13,600 lbs. It is believed that around 50,000 tons of new copper which has been accumulating in the foreign market may become available toward the close of this month and that, allowing for increasing amounts of scrap which will be brought out by attractive prices, the world will soon be called upon to absorb excess supplies of around 20,000 tons monthly. On the other hand, with current world consumption running about 180,000 tons monthly, an expansion of only 11% in demand would absorb this surplus supply. Unfortunately, however, in this country consumption of the red metal usually slackens somewhat during the second and third quarters; while recent increases in labor and material costs combined with rate reductions will compel the utilities to skimp on new construction. Domestic lead prices, after advancing to 7.35, St. Louis, have just been reduced by 25 points, the first cut since last October. Zinc is still in a tight statistical position and the price has advanced further since our last issue. Tin prices are soaring under the impact of a rapidly receding visible supply. In cooperative response to representations by the United States, its best customer, the foreign tin combine has consented to increase second quarter quotas to 110%, instead of 100% as originally set, thereby making available about 700 additional tons monthly.

MERCHANDISING — With retail prices up 6.1% over a year ago merchandise sales in February continued to make gratifying comparisons with February, 1936. Chain stores gained 12.6%, department stores 10%, and variety stores 9.5%; though profits earned by the latter are being squeezed by rising costs.

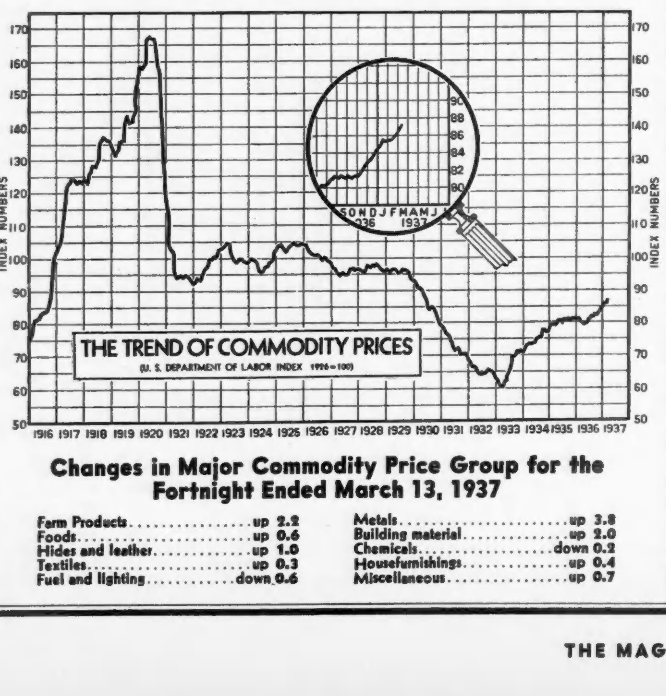
UTILITIES — Though electric power output is running 16% ahead of a year ago, utility earnings are



failing to keep pace because of mounting costs and continual rate reductions forced by Government policies. This suffices to explain why utility stocks have been soft in a bull market.

Conclusion

The phenomenal spurt in Business Activity and in Raw Material Prices to fresh recovery heights since our last issue has been so spectacular as to smack strongly of speculation and like all speculative excesses, must sooner or later end in reaction. Indeed, as this is written, it seems possible that a set-back of some proportions may already have put in an appearance. A new wave of sit-down strikes in the automobile and other industries has put a temporary check upon the recent sharp expansion in business volume, while lower prices for copper and lead appear to mark a culmination for the time being at least in the rise of basic staples. Business volume for the first quarter, nevertheless, should average 23% ahead of last year, though profit increases will be irregularly distributed because of higher costs.



Changes in Major Commodity Price Group for the Fortnight Ended March 13, 1937

Farm Products	up 2.2	Metals	up 3.8
Foods	up 0.6	Building material	up 2.0
Hides and leather	up 1.0	Chemicals	down 0.2
Textiles	up 0.3	Housefurnishings	up 0.4
Fuel and lighting	down 0.6	Miscellaneous	up 0.7

ESSENTIAL STATISTICS

Finance   Securities   Business

THE MAGAZINE OF WALL STREET'S COMMON STOCK INDEX

1936 Indexes High	1936 Indexes Low	No. of Issues	(1925 Close—100)	1937 Indexes High	1937 Indexes Low	Mar. 6	Mar. 13	Mar. 20
105.0	78.4	330	COMBINED AVER.	122.0	105.0	122.0H	120.4	117.2
204.6	113.4	5	Agricultural Implements...	240.6	204.6	240.2	240.6H	227.5
68.6	39.9	6	Amusements...	72.6	67.8	70.8	70.1	67.8
143.5	116.8	16	Automobile Accessories...	146.6	128.1	137.6	134.1	128.4
24.9	17.7	13	Automobiles...	30.1	23.3	29.7	28.7	28.0
156.8	104.3	8	Aviation (1927 Cl.—100).	178.0	156.8	178.0H	171.4	170.1
23.8	12.6	3	Baking (1926 Cl.—100)...	28.5	21.8	25.1	24.6	23.6
500.9	318.6	2	Bots. & Cks. ('32 Cl.—100)	536.0	456.6	512.3	530.1	532.4
262.0	202.8	3	Business Machines...	308.6	262.0	308.6H	296.8	286.3
287.4	216.2	2	Cans...	242.8	214.7	217.1	221.3	214.7
237.1	187.5	10	Chemicals...	245.9	228.7	245.9H	245.2	243.4
73.8	42.8	15	Construction...	88.3	73.4	87.6	86.6	83.4
166.4	87.9	10	Copper & Brass...	217.3	165.9	213.4	214.4	197.2
47.8	39.3	2	Dairy Products...	43.0	40.7	41.0	43.0	41.9
41.8	23.3	10	Department Stores...	42.7	36.0	42.7H	41.0	39.5
100.1	72.8	8	Drugs & Toilet Articles...	108.8	92.1	108.7	106.2	108.1
441.1	227.2	2	Finance Companies...	388.4	338.7	346.9	353.8	338.7
70.1	60.9	7	Food Brands...	71.9	65.6	69.4	68.0	69.4
56.6	41.4	4	Food Stores...	53.2	50.0	51.7	50.8	50.0
103.2	65.7	3	Furniture...	122.3	103.2	121.5	122.1	118.2
1296.9	1116.0	4	Gold & Platinum Mining..	1253.6	1149.1	1211.1	1203.1	1172.1
51.0	36.6	5	Investment Trusts...	58.6	49.2	58.6H	58.2	55.5
341.6	265.2	3	Liquor (1932 Cl.—100)...	421.2	277.4	298.7	316.4	321.2
189.5	134.7	9	Machinery...	209.8	189.5	208.6	199.0	191.2
107.4	61.3	2	Mail Order...	104.2	89.6	103.6	104.2	97.7
83.9	59.4	4	Meat Packing...	109.6	79.6	104.8	102.0	101.4
232.5	159.5	14	Metal Mining & Smelting..	334.1	232.5	322.5	334.1 H	306.7
23.4	6.0	2	Paper...	23.5	19.0	20.8	21.4	23.0
142.8	97.2	24	Petroleum & Natural Gas...	158.1	142.8	153.6	158.1 H	151.6
96.6	67.2	18	Public Utilities...	114.9	96.6	104.5	99.9	99.7
35.4	26.7	4	Radio (1927 Cl.—100)...	31.7	28.4	30.9	29.4	28.6
100.4	52.5	9	Railroad Equipment...	112.9	100.4	112.9 H	105.2	101.5
39.8	27.3	24	Railroads...	48.6	37.2	48.6	47.9	48.1
27.1	13.4	3	Realty...	28.5	24.0	26.6	25.8	24.0
87.6	62.7	4	Shipbuilding...	84.6	76.0	84.4	82.2	78.9
124.5	85.2	12	Steel & Iron...	165.6	124.5	165.4	165.6H	157.1
45.3	29.8	6	Sugar...	45.2	38.7	39.6	38.7	40.9
175.6	142.5	2	Sulphur...	171.2	159.9	167.9	164.3	160.4
97.4	76.6	3	Telephone & Telegraph...	85.3	81.4	83.8	83.3	81.4
83.5	62.0	8	Textiles...	91.8	77.1	88.0	86.2	84.0
20.9	10.6	4	Tires & Rubber...	29.2	20.5	27.3	29.2 H	28.2
100.2	87.2	4	Tobacco...	99.4	87.7	97.2	89.0	87.7
76.2	61.0	5	Traction...	71.9	60.6	66.6	62.3	60.6
369.2	232.5	4	Variety Stores...	346.8	305.0	330.8	312.4	305.0

H—New HIGH record since 1931.

DAILY INDEXES OF SECURITIES

	N. Y. Times 40 Bonds	Dow-Jones Avgs. 30 Indus.	Dow-Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Sales
Monday, March 8...	88.92	192.69	62.10	142.93	140.59	3,175,170
Tuesday, March 9...	88.76	193.29	62.20	142.36	140.27	2,387,670
Wednesday, March 10...	88.89	194.40	63.06	142.39	140.65	2,823,660
Thursday, March 11...	88.57	192.22	62.61	142.22	140.22	2,739,430
Friday, March 12...	88.29	191.24	62.27	140.26	138.12	2,289,940
Saturday, March 13...	88.23	190.58	62.06	139.59	138.60	1,129,070
Monday, March 15...	87.94	189.41	62.03	139.03	137.46	1,766,740
Tuesday, March 16...	87.79	189.95	63.06	139.33	137.72	1,750,150
Wednesday, March 17...	87.56	188.50	64.46	139.61	138.04	2,116,880
Thursday, March 18...	87.06	184.73	62.44	137.66	135.33	2,276,920
Friday, March 19...	87.17	184.56	62.58	136.83	135.26	1,741,170
Saturday, March 20...	87.11	184.04	62.58	136.22	135.09	713,030

STOCK MARKET VOLUME

Week Ended March 20	Week Ended March 13	Week Ended March 6
10,364,890	14,544,940	14,844,410
Total Transactions Year to March 20	**Same Date 1936**	**Same Date 1935**
148,685,276	167,548,043	46,975,010

Note: Latest figures compiled as of Mar. 20. (b)—1,000 Gross tons. (C)—Iron Age. (d)—F. W. Dodge—37 states. (e)—Estimated. (f)—Dun & Bradstreet. (G)—U. S. Labor Bureau '23-25—100. ★—000 omitted. †—000,000 omitted. *—Iron Age Composite. §—Week ended Mar. 18. De—December. Ja—January. Fe—February.

MONEY RATES	Latest Week	Previous Week	Year Ago
Time Money (90-day)...	1¼%	1¼%	1%
Prime Commercial Paper...	¾@1%	¾@1%	¾%
Call Money...	1%	1%	¾%
Re-Discount Rate...	1½%	1½%	1½%

CREDIT			
Bank Clearings, N. Y.†...	$4,910	$3,816	$5,133
Bank Clearings (outside N. Y.)†...	2,448	2,134	2,074
Brokers' Loans, F. R.†...	1,136	1,147	1,010
	Mar. 1	**Feb. 1**	**Last Year**
Brokers' Loans N. Y. S. E.†..	$1,074	$1,026	$924
New Corporate Financing†...	225Fe	245Ja	165

COMMODITY PRICES	Latest Week	Previous Week	Year Ago
Finished Steel* c per lb...	2.605	2.605	2.084
Pig Iron* $ per ton...	23.25	23.25	18.84
Steel Scrap* $ per ton...	21.25	21.08	14.75
Copper, $ per lb...	.16¼	.16¼	.09¼
Lead, $ per lb...	.07¼	.07½	.0460
Zinc, $ per lb...	.07½	.07½	.0490
Tin, $ per lb...	.64⅛	.66	.48
Rubber, $ per lb...	.24¾	.23⅛	.16⅛
Crude Oil (Mid-Cont.), $ per barrel...	1.27	1.27	1.17
Sugar, raw, $ per lb...	.0345	.0355	.0350
Silk, raw, $ per lb...	2.08	1.99	1.77½
Wool, raw, $ per lb...	1.12-1.15	1.12-1.15	.94
Wheat, Price, May, $ per bu..	1.38⅛	1.34⅛	.97⅞
Cotton Price, Mar., $ per lb..	.1395	.1394	.1105
Corn Price, May, $ per bu...	1.08⅝	1.06⅜	.59

KEY INDUSTRIES	Feb.	Jan.	Year Ago
Steel Ingot Prod. (b) (tons)...	4,425	4,737	2,964
U. S. Steel Corp. Shipments (b) (tons)...	1,133.7	1,150	676.3
Pig Iron Production (b) (tons).	2,999	3,211	1,823
Operating Rate, % Capacity.	89.0§	87.0	50.5
Auto Production...	350,000e	399,426	300,874
Bldg. Contract Awards (d)★..	188,591	242,844	140,419
Residential Bldg. (d)★...	63,012	78,424	31,175
Cement Shipments★(bbls)...	4,678Ja	6,246De	3,917
Coal Production (tons) Bit.★..	41,740	40,940	41,154
Cotton Consumption (bales)★.	664	678	516
Mach. Tool Orders, '26—100%...	165.2	200.3	112.1
	Latest Week	**Previous Week**	**Year Ago**
Oil Prod., daily aver. (bbls.)★	3,373	3,299	2,808
Stocks of Gasoline★ (bbls.)...	81,236	80,102	73,002
Elec. Pwr. Output (kwh)†...	2,212	2,199	1,893

TRANSPORTATION	Latest Week	Previous Week	Year Ago
Carloadings★...	748	734	616
Miscellaneous Freight★...	312	305	255
Merchandise, L.C.L.★...	170	171	158

TRADE	Feb.	Jan.	Year Ago
Dept. Store Sales '23-25—100%...	95	93	83
Mail Order Sales★...	52,855	63,154	43,396
Merchandise Imports★...	240,396Ja	244,712De	187,482
Merchandise Exports★...	221,550Ja	229,733De	198,563
Business Failures (F)...	721	811	856

EMPLOYMENT	Jan.	Dec.	Year Ago
Factory (G)...	96.4	98.1	86.8
Durable Goods Industries (G)	90.2	92.7	78.7
Consumers Goods (G)...	103.0	104.0	95.4
Factory Payrolls (G)...	90.6	95.1	73.8

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
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Consolidated Edison Co., of N. Y.

I am puzzled by the recent market performance of Consolidated Edison Co. of New York. As a new reader, I would like to know your attitude towards it. Do you recommend holding shares bought at 48? Would this be a good time to average down?—P. J. S., Brooklyn, N. Y.

An improvement in the general business picture enabled Consolidated Edison Co. of N. Y. to report an 11% increase in earnings in 1936, over 1935. This showing was particularly good, since it demonstrated the company's ability to carry increased volume business through to net, despite rate reductions. Reduced interest and amortization charges also played an important part in the improvement registered but the full effects of the savings resulting from refunding operations probably will not be fully recorded until the first quarter of the current year. At the present time there is a notable increase in construction activities throughout the territory served by the organization's facilities and this situation, together with generally favorable business conditions, suggests a further increase in both electric and gas sales this year. Gas rates were recently reduced further, reflecting economies brought about by unification of rate schedules as a result of the consolidation of the system into one organization and the consequent saving in taxes and managerial costs. Further economies along this line should be possible and while there is no definite indication that further rate reductions will not be forced upon the company, we nevertheless feel that these might be offset by increased consumption. Air conditioning is reported to be showing marked gains, while reduced gas rates suggest wider employment of that product for house heating. However, the prospect for the organization is beclouded by the possibility of further necessitious rate reductions and increased costs, and while we believe that holdings of the stock should be retained for income, averaging is not yet advised.

Hiram Walker-Gooderham & Worts, Ltd.

Can you tell me why Hiram Walker has stayed in a narrow range when most securities have shown a sizable advance? Is early improvement probable? Do you favor retention of stock bought at 36½?—E. N. S., Phila., Penna.

In common with other distillery stocks, Hiram Walker-Gooderham & Worts, Ltd. shares have been colorless marketwise for some time past, due in part, at least, to the unseasoned position of the industry. In addition, heavy stocks of aging liquors in warehouses, suggest that the keen competitive situation existing will not soon be corrected. This situation arouses a considerable doubt as to the stability of the present price structure for both aged and young whiskies. Any such downward adjustment would unquestionably tend to lower profit margins of the distillers, although this could be made up through an increase in volume business. Thus far Hiram Walker has been able to maintain earnings on a very satisfactory basis; for the quarter ended November 30, 1936, a profit equal to $2.45 a share on the common stock, after preferred requirements, compared with $1.65 for the corresponding quarter of 1935. Because of the increasing consumption of Scotch whiskies, in the United States, due in part to the lowered tariff resulting from the reciprocal trade agreement with Britain, the company has extended its interests in Scotland, according to a recent report. It is generally conceded in the trade that the demand for Scotch whiskies will continue well above pre-prohibition levels, at least until such time as the American bonded product is ready for the market in volume. This cannot be expected prior to 1938, or

(Please turn to page 784)

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7 Reasons

Why YOU should enroll Now as a FORECAST client

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The INVESTMENT and BUSINESS FORECAST of The Magazine of Wall Street

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I enclose $75 to cover my six months' test subscription to The Investment and Business Forecast. I understand that regardless of the telegrams I select I will receive the complete service by mail. ($125 will cover an entire year's subscription.)

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☐	TRADING ADVICES	Short-term recommendations following intermediate market swings. Three or four wires a month. Three to five stocks carried at a time. $1,500 capital sufficient to act in 10 shares of all recommendations on over 60% margin.
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NAME .... CAPITAL OR EQUITY AVAILABLE ....

ADDRESS ....

CITY .... STATE .... Mar. 27

Include a Complete List of Your Present Holdings for our Analysis and Recommendations.

New York Stock Exchange

Rails

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/17/37	Share
A								
Atchison	60	35¾	88½	59	87⅝	69½	85¾	†2.00
Atlantic Coast Line	37¼	19½	49	21⅝	55½	44⅛	54⅛	†1.00
B								
Baltimore & Ohio	18	7½	26½	15⅞	40½	20⅝	40	....
Bangor & Aroostook	49½	36⅛	49½	39	45	41	42¾	2.50
C								
Canadian Pacific	13¾	8⅝	16	10⅞	17½	14½	15¾	....
Chesapeake & Ohio	53¼	37⅛	77¾	51	68⅞	63¼	63⅞	*2.80
Chicago Gt. Western Pfd	5⅝	1⅝	14⅝	4	18¼	13⅝	17¼	....
C. M. & St. Paul & Pacific	3	¼	2⅞	1½	7¼	4¾	7	....
C. M. & St. Paul & Pacific Pfd	4¾	¾	5⅞	2⅞	7¼	4¾	7	....
Chicago & North Western	5⅝	1⅜	4⅞	2½	6⅜	3½	5⅞	....
Chicago, Rock Is. & Pacific	2⅝	¾	3	1½	3⅝	2⅛	3⅝	....
D								
Delaware & Hudson	43½	23½	54¾	36¾	58⅜	42⅛	57¼	....
Delaware, Lack. & West	19⅛	11	23⅛	14⅞	24½	17⅛	24	....
E								
Erie R. R	14	7⅛	18¼	11	23⅝	13⅞	23	....
G								
Great Northern Pfd	35⅛	9⅝	46⅜	32¼	55¼	40⅝	53⅞	....
I								
Illinois Central	22¼	9½	29½	18⅝	38	22½	37¼	....
K								
Kansas City Southern	14½	3¾	26	13	29	20	28½	....
L								
Lehigh Valley	11½	5	22	8½	3¾	2½	2⅝	....
Louisville & Nashville	64¾	34	102⅜	57½	99	88¼	99	‡2.50
M								
Mo., Kansas & Texas	6⅜	2½	9⅝	5½	9¾	6⅞	9⅝	....
Mo., Kansas & Texas Pfd., A	16¼	5⅞	33⅜	14½	34⅝	24¼	34⅛	....
Missouri Pacific	3	1	4	2⅛	6¼	3	5⅞	....
N								
New York Central	29¾	12¼	49⅝	27¾	55¼	40	54¾	....
N. Y., Chic. & St. Louis	19	6	53⅛	17¾	72	41	70½	....
N. Y., N. H. & Hartford	8½	2⅝	6⅛	3	9¾	5½	9¼	....
Norfolk & Western	218	158	310½	210	272	250	260	‡2.50
Northern Pacific	25¼	13⅛	36¾	23⅞	36⅝	27¼	35⅜	....
P								
Pennsylvania	32½	17¼	45	28¼	50¼	39¾	49⅞	†2.00
R								
Reading	43⅛	29⅞	50¾	35½	47	41⅞	44	2.00
S								
St. Louis-San Fran	2	¾	3⅝	1½	4¾	3	4¾	....
Southern Pacific	25½	12¾	47⅞	23½	65⅜	42½	65	....
Southern Railway	16½	5½	26½	12¾	43⅜	24	43¼	....
T								
Texas & Pacific	28½	14	49	28	54¼	43½	52	....
U								
Union Pacific	111½	82½	149¾	108½	148¾	126½	147½	6.00
W								
Western Maryland	10⅛	5½	12⅛	8⅛	11¾	8⅞	11½	....
Western Pacific	3⅜	1⅛	4	1⅞	4¾	2½	4½	....

Industrials and Miscellaneous

	1935		1936		1937		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/17/37	Share
A								
Adams-Millis	37¼	28	35¾	17⅞	28⅝	24⅞	26	†1.75
Air Reduction	.....	.....	86½	58	80¼	72⅞	74¼	*1.00
Alaska Juneau	20⅛	13¼	17½	13	15¾	14⅜	14⅝	*.60
Allegheny Steel	32	21	40⅜	26⅞	45⅝	36½	44½	‡.40
Allied Chemical & Dye	173	125	245	157	258½	225	243	6.00
Allied Stores	9	3⅛	20⅛	6¾	21⅞	16⅛	20¼	‡.20
Allis Chalmers Mfg	33⅞	12	81	35⅜	83½	67⅛	67¾	‡.50
Alpha Portland Cement	22¾	14	34½	19¾	39¾	30½	37½	1.00
Amerada	80	48½	125½	75	114⅞	101	109½	2.00
American Bank Note	47⅜	13½	55½	36	41⅜	30⅛	30⅞	*1.00
Amer. Brake Shoe & Fdy	42½	21	70¼	40	80¾	67	68½	*2.00
American Can	149⅝	110	137½	110	121	105⅜	108½	*4.00
American & Foreign Power	9¼	2	9¾	6½	13¾	7¼	11⅞	....
Amer. Power & Light	9⅝	1½	14⅜	7½	16½	11⅞	12¾	....
Amer. Radiator & S. S	25⅛	10½	27⅜	18¾	29½	24⅞	26¾	*.60
Amer. Rolling Mill	32⅜	15¾	37	23¾	45¼	33⅛	39¾	*1.20
Amer. Smelting & Refining	64⅝	31⅝	103	56¾	105¾	88¼	99⅝	3.00
Amer. Steel Foundries	25¼	12	64	20½	73¼	59⅛	64½	‡.50
Amer. Sugar Refining	70½	50⅛	63⅝	48¼	56⅞	48	49⅝	2.00
Amer. Tel. & Tel.	160½	98⅞	190⅛	149½	187	172⅛	173¾	9.00
Amer. Tob. B	107	74¾	104	88½	99⅞	80⅜	82¼	5.00
Amer. Water Works & Elec	22¾	7⅛	27¾	19⅛	29½	23⅝	24⅜	.80
Amer. Woolen Pfd	68¾	35½	70¾	52¾	79	64	74¼	‡1.00
Anaconda Copper Mining	30	8	55⅜	28	69½	52⅛	65⅞	*1.00
Armour Co. of Ill	6⅛	3¼	7⅜	4⅝	13¾	7	12⅞	‡.15
Atlantic Refining	28	20½	35⅛	26⅝	37	30⅛	34⅛	*1.00
Auburn Auto	45½	15	54¼	26⅝	36¾	29¾	29¾	....
Aviation Corp. Del	5¼	2¾	7¾	4⅝	9¼	6¾	8½	....
B								
Baldwin Loco. Works	6⅝	1½	11¾	2½	11¼	8	9¼	....
Barber Co	22½	11¾	38½	21	43⅜	35⅞	42	†.75
Barnsdall Oil	14¾	5⅞	28¼	14⅛	35¼	26⅛	31⅞	1.00
Beatrice Creamery	20⅛	14	28⅜	18	28¾	25	26⅜	*1.00

Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935 High	1935 Low	1936 High	1936 Low	1937 High	1937 Low	Last Sale 3/17/37	Div'd $ Per Share
B								
Bendix Aviation	24½	11⅞	32⅜	21⅝	30½	25	26⅜	†.25
Best & Co	57½	34	72	48	62¾	56	58	*2.50
Bethlehem Steel	52	21⅝	77¾	45¾	105½	73	98¾	†1.50
Boeing Airplane	22½	6⅛	37⅜	16⅞	49¾	33⅝	46	....
Borden Co	27¾	21	32⅜	25⅝	28	26¼	27	1.60
Borg Warner	70½	28¼	90¼	64	83½	72¼	81¾	4.00
Bridgeport Brass	17⅛	8½	18⅞	12⅛	23¼	16¾	19⅝	.60
Briggs Mfg	55⅛	24½	64⅞	43¼	59⅞	49⅝	49¾	*2.00
Brooklyn-Manhattan Transit	46¾	36½	58¼	40¼	53	40	43½	4.00
Bucyrus Erie	8⅞	4¼	21¾	8⅞	25¼	20	22	....
Budd Mfg	9¾	3¼	15⅞	9⅛	14⅜	12⅛	12½	....
Byers & Co. (A. M.)	20⅝	11⅜	29⅛	16½	33¾	27¾	30¼	....
C								
Calumet & Hecla	6¾	2½	16½	6	20⅛	15¼	17½	1.00
Canada Dry Ginger Ale	17⅞	8⅛	30¾	10⅜	37⅝	27½	36½	....
Case, J. L	111¼	45¾	186	92½	176½	138	156¾	4.00
Caterpillar Tractor	60	36½	91	54¾	100	85½	96	*2.00
Celanese Corp	35⅜	19½	32¼	21¾	36⅜	26⅝	34½	‡.75
Cerro de Pasco Copper	65⅜	38⅝	74	47¾	86⅜	67¼	80	4.00
Chesapeake Corp	61¼	36	100	59	68⅞	63¼	63⅞	*2.80
Chrysler Corp	93⅞	31	138¾	85½	135¼	110¾	127½	‡1.50
Coca-Cola Co	93	72½	134	84	163½	122½	163½	*2.00
Columbian Carbon	101¼	67	136½	94	124¾	112¼	123	*4.00
Colum. Gas & Elec	15¾	3⅜	23⅜	14	20⅞	16½	16¾	†.40
Commercial Credit	58	39½	84⅞	44	69¼	58	60¼	*4.00
Comm. Inv. Trust	72	56¼	91¾	55	80¼	68	70½	*4.00
Commercial Solvents	23⅞	16½	24⅝	14¼	21¼	18⅛	19	*.60
Commonwealth & Southern	3	¾	5½	2¼	4⅛	3	3⅜	3⅜
Consolidated Edison Co	34¾	15⅞	48⅜	27¼	49⅞	40	41	*2.00
Consol. Oil	12¼	6½	17¼	11½	17¾	15⅝	17⅛	.80
Container Corp	23⅛	22	26¼	15¾	32⅛	20⅝	28⅝	1.20
Continental Baking, A	11⅞	4½	35⅜	10⅜	37¾	27⅝	33	....
Continental Can	99¼	62¾	87¼	63¾	69⅛	59⅜	60¾	3.00
Continental Oil	35	15⅛	44⅞	28⅛	45½	40¼	43	*1.00
Corn Products Refining	78⅜	60	82½	63⅝	71¼	65⅞	69	*3.00
Crane Co	27⅜	7	50½	24	56½	46	53½	....
Crown Cork & Seal	48⅞	23½	91½	43⅝	100⅞	74¼	83¾	2.00
Curtis Wright	4⅝	2	9¼	4	8⅜	6½	7⅜	....
Curtis Wright, A	12¼	6¼	21⅞	10½	23¾	19⅛	22¼	†.50
Cutler-Hammer	47	16	83¾	43¼	90⅞	82	86	‡.50
D								
Deere & Co	58¾	22¾	108¾	52	135½	104⅜	130	....
Distillers Corp. Seagrams	38½	13⅝	34⅝	18¼	29	24½	28½	....
Dome Mines	44⅞	34⅛	61½	41½	51	45	47½	*2.00
Douglas Aircraft	58⅜	17½	82¼	50⅝	77¼	62⅛	64½	....
Du Pont de Nemours	146½	86⅝	84¾	133	180⅛	167	167	†.75
E								
Eastman Kodak	172¼	110½	185	156	175¼	164½	164½	6.00
Electric Auto Lite	38¾	19⅜	47½	30¾	45½	38¾	41⅝	*2.40
Elec. Power & Light	7½	1⅛	25⅞	6⅜	26⅝	21⅜	23¾	....
Endicott Johnson Corp	66	52¾	69	53½	60	55½	57½	3.00
F								
Fairbanks, Morse	39½	17	71¾	34¾	71⅞	60½	61	*1.00
Firestone Tire & Rubber	25½	13⅛	36¼	24⅞	41⅜	32¾	39⅞	2.00
First National Stores	58⅞	44⅜	58⅝	40	52¼	48⅜	50¼	*2.50
Foster Wheeler	30	9⅞	45⅜	24⅛	54½	43	48	....
Freeport Sulphur	30⅝	17¼	35⅝	23½	32¼	26¾	28¼	1.00
G								
General Amer. Transpt	48½	32⅝	76	42¼	86½	70½	73⅝	†3.00
General Baking	13⅜	7⅜	20	10¾	19½	16	16¼	*.60
General Electric	40⅞	20½	55	34½	64⅞	52¾	58½	‡.40
General Foods	37⅞	30	44	33⅜	44¼	39⅛	42¼	2.00
General Mills	72½	59⅞	70½	58	65⅞	60¼	61¼	3.00
General Motors	59⅜	26⅝	77	53⅞	70½	60½	64⅛	‡.25
General Railway Signal	41¼	15⅝	57	32½	65⅛	53	57¼	1.00
Gen. Realty & Utility	3⅛	¾	4⅞	2	5¾	4¼	5	....
General Refractories	33½	16¾	71	33¼	70¼	62¾	66⅝	†3.25
Glidden	49½	23⅜	55¼	39½	51½	43⅝	47⅛	2.00
Goodrich Co. (B. F.)	14½	7½	35½	13⅝	50½	31	48⅝	†1.00
Goodyear Tire & Rubber	26⅞	15¾	31⅞	21⅝	47⅜	27¾	46¼	‡.50
H								
Hecker Products	22	14⅜	21⅜	12⅝	15⅞	13¼	14¼	.60
Hercules Powder	90	71	150	84	185	150½	170	6.00
Houston Oil	7	1½	13⅞	6⅜	17⅝	12½	15⅛	....
Hudson Motor Car	17½	6¼	22⅝	13½	23¼	18⅛	21¼	....
I								
Industrial Rayon	36⅜	23½	41⅜	25⅝	40½	36¼	39⅛	2.00
Inspiration Copper	8⅜	2½	24¼	6⅛	33⅛	22½	29⅝	....
Interborough Rapid Transit	23⅝	8¾	18⅞	10⅞	13¾	10½	10¾	....
Inter. Business Machines	190½	149¼	194	160	189	172½	172¾	*6.00
Inter. Harvester	65⅝	34⅛	105½	56⅝	111½	102¼	106½	2.50
Inter. Nickel	47¼	22¼	66⅜	43¼	73⅜	62⅛	70¾	‡.50
Inter. Tel. & Tel	14	5⅝	19¼	11⅛	15⅞	11¾	14⅛	....
J								
Johns-Manville	99½	38½	152	88	155	134	147	*3.00
K								
Kennecott Copper	30⅜	13¾	63⅜	28¼	69⅜	56¾	66	‡.50
L								
Lambert	28½	21⅜	26¾	15⅞	24	18½	21½	2.00
Lehman Corp	95¾	67⅛	123¾	89	137	118	134	*3.00
Libbey-Owens-Ford	49¼	21½	80¼	47¼	79	67¼	70½	‡.75
Liggett & Myers Tob., B	122	93¾	116½	97¾	114	100½	102	*4.00
Loew's, Inc	55⅛	31¼	67⅛	43	81½	64½	78	*2.00
Lone Star Cement	36⅞	22⅞	61⅞	35½	75¼	56	74	‡.75
Lorillard	26½	18½	26½	21⅛	28⅝	22¾	24½	*1.20
M								
Mack Truck	30¾	18⅝	49¼	27⅜	62¼	42¾	58⅞	*1.00
Macy (R. H.)	57¼	30½	65¼	40⅛	58¼	50½	55¼	*2.00
Marshall Field	14¼	6¾	25⅛	11⅛	30⅞	18⅞	29	....
Masonite,	....	....	64½	44	74	60	66½	*1.00
Mathieson Alkali	33⅞	23¾	42⅜	27½	41¾	37¼	39	1.50
McIntyre Porcupine	45⅝	33¾	49⅜	38⅛	42½	38	40	2.00
McKeesport Tin Plate	131	90½	118½	83½	92¾	81¼	82	*4.00

DIVIDENDS and INTEREST

The Cudahy Packing Company

Chicago, Ill., March 13, 1937

The Board of Directors has this day declared the regular semi-annual dividend of three per cent (3%) on the 6% Preferred Stock of the Company and three and one-half per cent (3½%) on the 7% Preferred Stock of the Company, payable May 1, 1937 to stockholders of record April 20, 1937. Also the quarterly dividend of sixty-two and one-half cents (62½c) per share on the Common Stock of the Company, payable April 15, 1937 to stockholders of record April 5, 1937.

J. F. GEAREN, JR., Secretary

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, The Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"

John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225)

"TRADING METHODS"

This handbook issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785)

20 LEADING AVIATION COMPANIES

This new 1937 booklet with late statistical information which has just been issued by Dunscombe & Co., Members New York Stock Exchange, will gladly be sent to investors. (937)

MARGIN REQUIREMENTS, COMMISSION CHARGES

J. A. Acosta & Co., have prepared a folder explaining margin requirements, commission charges and trading units. Copies gladly sent investors and traders. (939)

MAKING MONEY IN STOCKS

This booklet, issued by Investors Research Bureau, will be sent free to investors upon request. (953)

UNITED BULLETIN

Bulletin giving definite advice on leading stocks is issued by United Business Service. Free copy sent on request. (954)

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous (Continued)

	1935		1936		1937		Last Sale	Div'd $ Per
M	High	Low	High	Low	High	Low	3/17/37	Share
McKesson & Robbins	10¾	5⅞	14¾	8⅝	16¼	12⅝	15¾	....
Meste Machine	42⅝	24⅛	65	40⅝	72¼	59	69¾	‡1.75
Minn. Honeywell	....	....	112	65	120	102	120	2.00
Minn. Moline Power	7⅝	3⅞	12⅜	6½	16⅛	11	14⅝	....
Monsanto Chemical	94¾	55	103	79	101	90½	93	*1.00
Mont. Ward & Co	40⅞	21¾	68	35¾	69	53½	67	*2.00
Murray Corp	21⅜	4¾	22¾	14	20¾	17	17⅝	†.50
N								
Nash Kelvinator	....	....	....	....	24⅝	17⅜	22⅜	1.00
National Biscuit	36⅜	22¼	38¾	28¾	33⅜	30⅝	31	1.60
National Cash Register	23½	13½	32⅝	21½	38⅞	29⅝	37¼	†1.00
National Dairy Prod	22⅛	12⅞	28¼	21	26⅛	23⅛	24⅝	1.20
National Distillers	34½	23⅛	33⅜	25⅝	35	27½	34¼	*2.00
National Lead	....	....	36½	26⅜	44	33¾	39½	*.50
National Power & Light	14⅜	4⅞	14⅞	9⅝	14¾	11½	11⅞	.60
National Steel	83¾	40⅜	78	57¼	94½	70	86¾	*2.50
N. Y. Air Brake	36½	18½	83	32½	98½	78½	88⅛	‡.50
Newport Industries	10⅞	4⅜	40	9	41¾	34⅛	37¼	‡.50
North American	28	9	35½	23⅛	34⅞	27⅛	27⅜	‡.30
North Amer. Aviation	7⅜	2	14¼	6⅝	17⅜	13⅜	15¼	....
O								
Ohio Oil	14¼	9¼	18	12⅛	22½	17⅛	21½	†.60
Otis Steel	17⅝	4¼	20¾	12½	24⅜	16½	22¼	....
P								
Pacific Gas & Electric	31⅝	13⅛	41	30¾	38	31⅞	32⅛	2.00
Packard Motor Car	7½	3½	13⅜	6⅞	12⅜	10⅛	11	‡.15
Paramount Pictures	12	8	25	7⅛	28¾	23½	24⅝	....
Penney (J. C.)	84¾	57¼	112½	69	103¾	97	102⅜	4.00
Phelps Dodge	28⅛	12¾	56¾	25⅝	59⅞	52	55¼	‡.35
Phillips Petroleum	40	13¾	52⅜	38⅛	58½	49½	56¼	2.00
Procter & Gamble	53¾	42⅜	56	40¼	65½	55½	59⅝	*2.00
Public Service of N. J.	46¾	20⅜	50½	39	52¾	43	44⅝	2.60
Pullman	52⅞	29½	69⅞	36⅞	72⅛	66¼	66½	1.50
Pure Oil	17	5⅞	24⅞	16	24⅜	19½	21⅜	....
R								
Radio Corp. of America	13⅜	4	14¼	9¾	12¾	10⅞	11⅝	....
Radio-Keith-Orpheum	6	1¼	10⅞	5	9⅝	7⅞	8⅝	....
Remington Rand	20¾	7	25	17½	29⅛	21½	24⅝	*.60
Republic Steel	20¾	9	29⅞	16⅞	47¼	27½	44⅜	....
Reynolds (R. J.) Tob. Cl. B	58⅝	43⅛	60½	50	30⅜	25½	28¼	*1.00
S								
Safeway Stores	46	31⅝	49⅝	27	46	41	42½	*2.00
Schenley Distillers	56¼	22	55⅞	37¾	51¾	42½	50⅞	†.75
Sears, Roebuck	69⅞	31	101½	59⅝	95⅜	81	94	3.00
Shattuck (F. G.)	12⅞	7¼	19¾	11⅛	17⅝	15½	16⅞	.60
Shell Union Oil	16½	5½	28¼	14¾	34¾	26⅞	31⅞	†.25
Socony-Vacuum Corp	15¾	10⅝	17½	12½	19½	16¼	18¾	‡.25
Spiegel, Inc	84	43⅞	114½	63	28¾	22⅛	25½	‡.25
Standard Brands	19⅛	12½	18⅛	14⅜	16¼	15⅛	15⅛	*.80
Standard Gas & Elec	9¼	1½	9⅞	5⅛	14⅜	8¾	12	....
Standard Oil of Calif	41⅛	27¾	47⅝	35	50	43¼	47¾	*1.00
Standard Oil of Ind	33⅜	23⅜	48½	32¾	50	46½	46¾	*1.00
Standard Oil of N. J	52⅜	35¾	70⅜	51⅛	76	67¾	72⅛	*1.00
Stewart-Warner	18⅞	6⅝	24½	16½	21	17¼	19¾	*.50
Stone & Webster	15⅛	2½	30½	14⅝	33⅝	28⅛	28¾	†.25
Studebaker	10¾	2¼	15⅞	9⅛	20	13¼	18¼	....
T								
Texas Corp	30¼	16½	55¼	28⅞	60	50⅜	57⅜	2.00
Texas Gulf Sulphur	36¾	28¾	44¾	33	43	38¾	39½	*2.00
Texas Pacific Coal & Oil	9¼	3¼	15¼	7½	16⅝	13⅛	15⅝	‡.10
Tide Water Assoc. Oil	15⅞	7⅝	21¾	14¾	21⅝	20⅛	20⅜	.60
Timken Detroit Axle	13⅛	4⅝	27⅞	12⅛	28⅞	22	25⅝	*1.00
Timken Roller Bearing	72½	28⅜	74½	56	79	68	68¾	3.00
Twentieth Century-Fox	24⅞	13	38⅝	22½	40⅞	33¾	39	‡.50
U								
Underwood-Elliott-Fisher	87¼	53¾	102⅜	74⅝	100⅛	89	90	3.00
Union Carbide & Carbon	75¾	44	105¼	71⅝	111	101½	106	3.20
Union Oil of Cal	24	14¾	28½	20¾	28¼	24⅞	26¼	1.00
United Aircraft	30⅜	9⅞	32⅜	20⅝	35⅛	27⅜	33⅛	†.50
United Carbon	78	46	96¾	68	91	79	85	4.00
United Corp	7¾	1½	9¼	5⅜	8½	6½	6⅝	†.20
United Fruit	92¾	60½	87	66½	85½	80½	83½	*3.00
United Gas Imp	18½	9¼	19½	14⅛	17	14⅜	14½	1.00
U. S. Gypsum	87	40½	125¼	80½	137	122	127	*2.00
U. S. Industrial Alcohol	50⅝	35⅛	59	31¼	43⅝	37½	39¼	....
U. S. Pipe & Fdy	22⅝	14¾	63⅞	21½	72¼	60½	67¾	3.00
U. S. Rubber	17¼	9⅛	49⅜	16⅜	70¼	44¼	69⅝	....
U. S. Smelting, Ref. & Mining	124½	91¾	103¾	72¼	105	83¼	99½	‡2.00
U. S. Steel	50⅝	27½	79⅞	46⅜	126½	75	121½	....
U. S. Steel Pfd	119¼	73⅝	154¾	115½	150	139¾	147	7.00
Utilities Pw. & Lt., A	4¼	1	7	3⅛	4⅞	3½	3⅝	....
V								
Vanadium	21¾	11¼	30⅝	16¼	39⅜	28¼	36⅝	....
W								
Walworth Co	....	....	12⅜	5½	18¾	11¼	17¾	....
Warner Brothers Pictures	10¾	2¼	18⅜	9¼	18	14¾	15	....
Western Union Tel	77¼	20⅝	96⅛	72½	83½	71½	75⅞	3.00
Westinghouse Air Brake	35¾	18	50⅞	34¾	57¾	48⅝	53½	1.00
Westinghouse Elec. & Mfg	98¾	32⅝	153½	94½	167⅝	145	145½	‡1.00
Wilson & Co	9¼	3⅞	11	6⅝	12¼	8¾	11½	.50
Woolworth	65¼	51	71	44¾	65⅜	52⅞	52⅞	2.40
Worthington Pump & Mach	25¼	11¾	36¾	23⅛	47	34½	42½	....
Y								
Yellow Tr. & Coach, B	9¼	2⅝	23¼	8¾	37⅜	20⅛	33⅝	....
Youngstown Sh. & Tube	47⅛	13	87¾	41¾	101⅞	75½	94	‡.75
Z								
Zenith Radio	14¾	1¼	42⅜	11⅛	40¼	33	36½	‡.50

* Annual Rate—not including extras. † Paid last year. ‡ Paid this year.

Financing Business Expansion

(*Continued from page* 751)

paired the quick asset position of the majority of these companies. Oil companies probably have the least favorable position of any of the major extractive industries in so far as working capital requirements are concerned. This is due to the fact that oil reserves are migratory and once "discovered" must be developed competitively irrespective of marketing conditions or the financial strength of lease holders. The existing proration system alleviates this situation and crude producing companies might be considered to enjoy a fairly good rating in working capital requirements, but the refining and marketing concerns are about average of manufacturing and service industries.

Group 5 comprises the railroads and public utilities. Railroads normally have small working capital needs groups, due to the virtual absence of receivable, relatively small inventory and the ease with which equipment needs are financed through equipment trust certificate sales. In view of the public welfare aspect of our national transportation systems, working capital requirements have been readily forthcoming from banking or public financing agencies. On the other hand, existing working capital of even the larger and stronger system is very small and a majority of railroad companies presently exhibit actual working capital deficits in their current financial statements.

Finally, the public utility operating companies enjoy the most favorable position in regard to working capital needs, due to absence of receivables, inventory or violent fluctuations of demand over intermediate periods of time, aside from well defined seasonal and calculable power consumption trends. On the whole, the utility operating group is comfortably supplied with net quick assets in relation with normal requirements. Having built up good reserves during preceding years of higher earning power they have generally maintained their working capital positions during the depression. The holding company units in this field, however, show considerable variance in their individual working capital positions.

The majority of the larger companies in the groups which require the largest working capital, appear to have a satisfactory net quick asset position and future financing activities for net working capital additions appear most likely to come from the secondary companies in these groups. Conventional banking practice dictates that working capital needs, because they are for temporary or transitory purposes, should be obtained through temporary financing such as bank credit, commercial paper and banking acceptances. However, in view of the unusual banking and credit conditions prevailing in recent years, industrial companies have utilized permanent financing more often than not for general corporate purposes, including additions to their working capital. Furthermore, the use of installment financing and commercial credit on an installment basis has come to be employed in increasingly larger proportions, whereas commercial bank credit has remained relatively low until the past six months or so. Furthermore, the installment financing plans of the large commercial credit companies have come to be used both for the financing of fixed assets, such as machinery and plant equipment, as well as for the financing of sales to customers.

Frequently, new financing is undertaken with the double purpose of covering fixed capital expenditures and of augmenting working capital for temporary requirements at the same time. For example, when Montgomery Ward & Co. recently sold 625,000 shares of new common stock to its stockholders in order to raise over $25,000,000, the management planned to use from $10,000,000 to $12,000,000 for working capital to finance higher inventory costs and a larger volume of installment sales, $5,000,000 being set aside for permanent capital expenditures and the balance to pay dividends. Ordinarily, payment of dividends out of new capital would be frowned upon, particularly since the company apparently will have to undertake new financing again to bolster its net working capital position only a few months later. Such departure from conventional financing practice, however, permits a substantial saving of taxes imposed under the undistributed earnings tax provision of the present tax law. Another example of how working capital requirements and permanent capital requirements might dove-tail in a new financing operation is seen in the $62,000,000 stock financing operation of the Texas Corp., which will

utilize a large part ($22,500,000) to pay off bank loans and thereby proportionately increase working capital.

Preferred stock financing of the type undertaken by such companies as Glidden Company, Reynolds Metals, California Packing and others has served the purpose either of augmenting working capital or of permitting the companies to hold their working capital position intact, while obviating the tax penalties involved if earnings had been retained to finance their expanding business. In view of the time lag between actually receiving new capital through sale of securities and actually employing this new capital in the business, new financing frequently has a temporarily adverse effect upon the earnings available for the enlarged capital. Generally speaking, new capital appropriated for plant expansion is likely to cause a greater time lag in this respect than new capital raised for working capital purposes where it might be almost immediately employed in current operations.

General Motors and Chrysler Appraised

(*Continued from page* 760)

have to increase only some 20 per cent or so to do this. While a 20 per cent increase would be a very important consideration in the near-term profit trend, over the more distant future it does not seem quite so imposing. After all, there are many industries and companies that one can readily imagine doubling their output in a year or two—something which is inconceivable in the case of the motors. In other words, the automobile companies in general and General Motors and Chrysler in particular lack at the present time the glamour which enables the more optimistic investors to foresee tremendous increases in business volume far into the future.

Although we see no need for the hasty liquidation of General Motors and Chrysler stock, they will have their rallies on which it might be well for investors who are heavily represented to exchange part of their holdings for issues with more clearly defined profit possibilities.

Prosperity Returns to Southern Rails

(*Continued from page* 767)

increased about $15,300,000 to $91,000,000 and net income after covering fixed charges 1.9 times was equivalent to $8.23 a share on 1,170,000 shares of capital stock. In 1935 charges were covered 1.4 times and the shares earned the equivalent of $3.53 each. Dividends totaling $6 a share were paid in 1936 and a payment of $2.50 a share was announced earlier this year. The promise of dividends this year in excess of $6 a share appears to be well founded.

Being a large coal carrier, Louisville & Nashville will be deprived of surcharges this year, which last year contributed an estimated $3,500,000 to revenues. This was equivalent to about $3 a share. It is not unlikely, however, that the item of surcharges will be substantially offset this year by a larger volume of traffic. Moreover, the road will have the benefit of an important savings in fixed charges, which were only partially effective in 1936. Traffic movement over the road's lines was impeded earlier this year by flood conditions but recently has attained more normal proportions. Damage to the road's property by floods is not known as yet but is unlikely to reach serious proportions and subsequently flood rehabilitation work and materials in the territory should swell traffic and revenues.

Selling around 96, the shares are reasonably valued in relation to potential earnings and dividends this year, and they may be credited with both investment and speculative attraction.

Atlantic Coast Line

Earned per Share 1936	Earned per Share 1935	Recent Price	Div.
2.31	d3.08	52	1.00

(d) Deficit.

Owning 51 per cent of the outstanding stock of Louisville & Nashville, Atlantic Coast Line may be expected not only to share the promise of that road, but in its own right should be an important participant in the improved outlook for its territory.

Reflecting a larger volume of freight traffic and an appreciable increase in passenger traffic last year, gross revenues increased about $4,600,000 to $43,593,212. Net operating income increased more than 70 per cent and with a total of $6 in dividends on its Louisville & Nashville holdings, $3,580,200 was added to "other income." The net result was a coverage for fixed charges of 1.3 times and the balance available for the stock was equal to $2.31 a share on 823,427 shares. Cash increased about $3,600,000 last year and the net gain in working capital was about $1,000,000.

Although bonds comprise about two-thirds of the total capitalization of Atlantic Coast Line, total capitalization on a mileage basis is considerably smaller than that of other major roads. Fixed charges are comparatively light and for this reason deficits were not large despite the failure of the road to earn charges in full in the years 1932-1935 inclusive.

The road was severely affected by the collapse of the Florida real estate boom on the one hand and the rising tide of competition from coastwise steamships and trucks and buses on the other. An adjustment of freight rates on citrus fruit late in 1935 has materially strengthened the competitive position of the road in bidding for this important freight item. Also the Atlantic Coast Line benefited by improved conditions in Florida, reflected not only in an appreciable increase in passenger traffic, but in a larger movement of other commodities, notably building materials and miscellaneous items. Recent estimates indicate an increase of 8,000,000 boxes in the Florida fruit crop for the 1936-37 season and as a result of the damage to the California crop prices have risen substantially, carrying the inference of increased purchasing power for the southern grower.

Estimates indicate that for the first quarter of the current year, Atlantic Coast Line will show earnings in the neighborhood of $3.50 a share. This includes the dividend of $2.50 received on Louisville & Nashville holdings in January and which was equal to $1.78 a share on the shares of Atlantic Coast Line. Last year first quarter earnings were equal to $1.69 a share, of which Louisville & Nashville contributed the equivalent of $1.42 a share.

Atlantic Coast Line last year paid

THE TRAVELERS

L. EDMUND ZACHER, *President*

HARTFORD — CONNECTICUT

Annual Statements — *December 31, 1936*

THE TRAVELERS INSURANCE COMPANY

(Seventy-third Annual Statement)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$313,501,227.00	Life Insurance Reserves		$728,507,080.20
U. S. Government Guaranteed Bonds	6,896,650.00	Accident and Health Insurance Reserves		10,222,682.17
Other Public Bonds	79,013,905.00	Workmen's Compensation and Liability Insurance Reserves		52,074,099.39
Railroad Bonds and Stocks	60,967,997.00	Reserves for Taxes		4,006,618.49
Public Utility Bonds and Stocks	69,685,513.00	Other Reserves and Liabilities		2,519,128.84
Other Bonds and Stocks	42,577,767.00	Special Reserve		15,617,099.70
First Mortgage Loans	58,335,379.46			
Real Estate—Home Office	11,878,356.04	Capital	$20,000,000.00	
Real Estate—Other	49,251,497.76	Surplus	27,524,646.45	
Loans on Company's policies	117,802,455.28			47,524,646.45
Cash on hand and in Banks	14,618,386.68			
Interest accrued	8,101,907.81			
Premiums due and deferred	27,258,231.46			
All Other Assets	582,081.75			
*Total	$860,471,355.24	Total		$860,471,355.24

THE TRAVELERS INDEMNITY COMPANY

(Thirty-first Annual Statement)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$6,877,082.00	Unearned Premium and Claim Reserves		$8,159,709.45
Other Public Bonds	1,951,908.00	Reserves for Taxes		376,411.35
Railroad Bonds and Stocks	1,429,246.00	Other Reserves and Liabilities		481,253.91
Public Utility Bonds and Stocks	1,265,442.00	Special Reserve		7,904,524.70
Other Bonds and Stocks	12,021,111.00	Capital	$3,000,000.00	
Cash on hand and in Banks	1,457,775.60	Surplus	6,909,966.20	
Premiums in Course of Collection	1,743,755.96			
Interest accrued	85,545.05			9,909,966.20
*Total	$26,831,865.61	Total		$26,831,865.61

THE TRAVELERS FIRE INSURANCE COMPANY

(Thirteenth Annual Statement)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$11,716,788.00	Unearned Premium and Claim Reserves		$12,986,616.90
Other Public Bonds	500,376.00	Reserves for Taxes		481,068.74
Railroad Bonds and Stocks	1,053,013.00	Other Reserves and Liabilities		102,060.47
Public Utility Bonds and Stocks	2,709,483.00	Special Reserve		2,474,135.53
Other Bonds and Stocks	3,321,986.00	Capital	$2,000,000.00	
Cash on hand and in Banks	2,127,000.35	Surplus	5,031,973.70	
Premiums in Course of Collection	1,509,243.50			
Interest accrued	120,396.19			
All Other Assets	17,569.30			7,031,973.70
*Total	$23,075,855.34	Total		$23,075,855.34

THE CHARTER OAK FIRE INSURANCE COMPANY

(Second Annual Statement)

Assets		Reserves and All Other Liabilities		
United States Government Bonds	$1,005,055.00	Reserves for Taxes		$ 1,164.52
Cash on hand and in Banks	213,365.08	Capital	$500,000.00	
Interest accrued	5,356.78	Surplus	722,612.34	
				1,222,612.34
*Total	$1,223,776.86	Total		$1,223,776.86

All bonds not in default are valued on the amortized basis and all other bonds and stocks at valuations provided by the National Association of Insurance Commissioners.

*Assets include securities deposited with State and other authorities, as required by law:
The Travelers Insurance Company $19,705,962.00; The Travelers Indemnity Company $1,199,089.00; The Travelers Fire Insurance Company $683,000.00; The Charter Oak Fire Insurance Company $300,000.00.

ALL FORMS OF LIFE, CASUALTY AND FIRE INSURANCE

a dividend of $1 a share, the first since January, 1932. With the prospect that operating revenues will be larger this year, plus the likelihood of larger dividends from Louisville & Nashville, the road will undoubtedly pay a larger dividend, or be subject to the surplus profits tax. The prospect, as a whole, seems conservatively appraised by the shares at the recent level around 52.

Answers to Inquiries

(*Continued from page* 776)

1939, since a minimum of four years is required for aging. Thus, the company's position in the industry will be considerably strengthened since its products will include Scotch, in addition to its well known Canadian and domestic brands. The organization's line of gins is among the best sellers and the indicated efficiency of recent plant and equipment additions should tend to keep costs down to a competitive basis. Finances of the company are believed adequate and since earnings are well in excess of the present $2 annual dividend rate, some increase this year would not be unexpected. While the shares may continue sluggish in the market until the prospect for the liquor price structure becomes clarified, retention of strictly long pull holdings appears fully warranted.

American Smelting & Refining Co.

With the continued increasing demand for metals, to what extent does American Smelting & Refining reflect the possibility of still higher prices? I feel secure in the profit I now have, but I would like to know what to expect.—J. J. F., San Francisco, Calif.

Increased operations, coupled with a marked improvement in metal prices, enabled American Smelting & Refining Co. to report for 1936 an increase of 36% in net earnings, with the equivalent of $6.85 a common share, comparing with $5.01 in 1935. The further improvement which has occurred in both demand and quotations for copper, lead and zinc greatly enhances the prospect for earnings this year. The retirement of the 6% second preferred stock and bonds with funds derived through the issuance of rights to common stockholders, will tend to further increase the earnings position of the stock. The company continues to enjoy record operations in gold and silver refining, but the greatest potentialities would seem to now exist in copper, lead and zinc which are showing such a strong upward surge. Finances of American Smelting are in the best shape in a number of years and this situation together with the promising earnings outlook suggests liberal dividend payments. As a result of the offering of 365,988 shares of common stock to its shareholders at $70 a share, the company not only is able to retire bank loans, funded debt and second preferred stock, but will have left over a surplus which may be used for plant expansion and additions to property account, if such action is deemed advisable by the management. Considering the well entrenched position of the company in both the refining and mining divisions of the metal industry, there would seem to be little question as to the company's participation in the strong recovery being enjoyed by the industry throughout the world. In view of this prospect, there would seem to be a good possibility of further enhancement in the market for the stock and we accordingly suggest that you defer profit taking.

National Supply Co.

I have 100 shares of National Supply which I bought at 55½. In view of my appreciation in these shares, I am undecided whether to continue holding, and your opinion will be very much appreciated.—D. McC, Tulsa, Okla.

National Supply Co. is engaged in the manufacture of equipment and machinery used by the oil industry. As activity in the oil industry increases volume sales have gained considerably for the company. This is obvious in the report for the twelve months ended December 31, 1936, when per share earnings on the common stock were $6.06 against a deficit of $1.29 a share for the like interval a year ago. This was the best showing made by the company since 1929 when per share earnings on the common equalled $11.48.

However, the heavy arrears on the 7% preferred shares (amounting to $33.25 per share as of December 31, 1936) preclude immediate dividend disbursements on the common. A recent plan to remove these arrearages has been abandoned due to reverse decisions by the Court in other similar cases. Nevertheless, it is expected that with earnings showing substantial increases and prospects excellent for continuation of them, directors will again turn their attention to the clearing up of arrears which would put the common stockholders in line for dividends. The company enjoys a very satisfactory financial position, total current assets being $36,361,594, including cash of $4,418,666, against total current liabilities of $7,231,896 as of September 30, 1936. This strong position assures the company sufficient working capital to provide for the increased demand which is a direct result of substantially improved conditions surrounding the petroleum industry. Therefore, even though you are enjoying a substantial profit in the shares, we feel that the future prospects of the company are such that continued retention for still further appreciation is justifiable.

U. S. Pipe & Foundry Co.

I am wondering if the speculative possibilities in U. S. Pipe & Foundry Co. aren't pretty well discounted in current prices. I would like to have your views on this, and the probable investment course from here on —P. B., Portland, Ore.

U. S. Pipe & Foundry Co. occupies a dominant position in its field. The company manufactures and sells cast iron pipe and special castings for water and gas mains and for numerous other purposes. It also makes machinery for the sugar and chemical industries and conducts a foundry jobbing business. In recent years increased usage of the "Super de Lavaud process," a process for producing centrifugally cast iron pipe and other products for which the company has exclusive manufacturing rights for the United States on a royalty basis, has enabled them to effect many manufacturing economies. Obsolete methods have been abandoned due to larger use of the process. Due to its large dependence upon the building industry, the company's earnings during the depression were very restricted. However, building and construction activities have increased substantially and the company's earnings have gained according. For the year ending December 31, 1936, they

were able to report earnings on their common stock of $3.45 per share. When this is compared with 88 cents a share sustained in 1935, the recovery cycle is very obvious. Continuation of the building boom is expected to be reflected substantially in the company's future earnings. In our opinion, 1937 earnings will be considerably higher than those for 1936. Larger profit margins will afford the company opportunities to continue the present dividend disbursement and enable them to consider more liberal ones in the future. Therefore, we believe that a constructive attitude toward this stock may be continued and retention of your present holdings for future appreciation is recommended.

Minneapolis Moline Power Implement Co.

I am committed to 100 shares of Minneapolis Moline Power Implement Co. and have begun to wonder if present prices for the issue do not indicate the top levels for it. I would appreciate very much your suggestions as to the most logical course to pursue in future transactions.—L. D. S., Baltimore, Md.

Minneapolis Moline Power Implement Co., a leading manufacturer of agricultural implements and related power machinery, will directly benefit from the indicated $1,000,000,000 increase in farm income during 1936. Spring is the major buying season of the farmer and due to increased purchasing power of the individual sales should show large gains for 1937. Furthermore, with this increased consumer purchasing power and higher prices for his products, the farmer has become a safer credit risk. Therefore, manufacturers of farm implements are enabled to extend longer credit to him for purchase of his machinery. Agriculture is becoming more and more dependent upon mechanized products for tillage of soil, and consequently is replacing old equipment with modern up-to-date implements. It follows, therefore, that the machinery equipment companies are substantially increasing volume sales, thus, enabling profit margins to continue satisfactorily. The year end report of Minneapolis Moline showed earnings of 14 cents a share on their common stock against a deficit of 67 cents in 1935. The company enjoys a very strong financial position, with cash and government securities alone in excess of total current liabilities. Although the preferred issue is marked by heavy arrears it is expected that a recapitalization plan will be promulgated during the latter part of the current year to eliminate these. Naturally, with increasing earnings and the elimination of the preferred arrears, the common will be in a much better position to participate in future disbursements. In view of the extremely satisfactory prospects and the current earning power of the company we feel that further appreciation is a definite possibility and recommend continued retention of your present holdings, in order to benefit from the future possibilities.

General Railway Signal Co.

I am tremendously pleased with my General Railway Signal purchased at 44⅛. But, in view of the high levels at which it is now selling, please advise me if I should continue to hold.—W. T. R., St. Louis, Mo.

Even though current quotations for the shares of General Railway Signal Co. quite obviously anticipate better future earning power than is recorded in the annual report for last year (17 cents per share for the stock) we feel that the outlook is so encouraging as to justify such anticipation. The volume of unfilled orders on the books of this company at the close of 1936, was nearly six times as great as the corresponding figure at the beginning of the year. In 1936, on a gross operating income of a little less than $1,200,000, the report showed a net income available for preferred and common dividends of $194,000. The increase in the orders received by this company during 1936 reflects long overdue purchases by the railroads of replacement equipment, and the pace of increase in the coming years seems likely to increase substantially. Much importance is placed, however, upon the large percentage of orders received last year for new types of signaling systems which were developed during the depression years. This provides another avenue through which undoubtedly an increasingly large volume of business will be received. Under such circumstances, future statements could show such earnings as would very fully justify higher quotations for the shares. In 1929, on a gross operating income of $5,000,000 the company reported a net income of more than $3,000,000, equivalent after preferred dividend requirements, to $8.25 a share on the outstanding stock. The 1936 annual report disclosed increases in the market value of investments carried at $921,000 and estimated to have a value in excess of $1,000,000. The account "marketable securities" carried at $533,000 was estimated to have a market value of about $200,000 greater than that figure. Cash at about $1,400,000 and other current assets totaling about $4,600,000 may be compared with total current liabilities of only $337,000.

Erie Railroad

Taking into consideration the better business the railroads are doing, and the greater market interest in railroad issues, it seems to me that Erie Railroad should move higher this year. I would like your comments.—B. B., Buffalo, N. Y.

We believe your attitude toward Erie Railroad shares is a reasonable

one. The fact that better business conditions predicated upon, and resulting in increased public purchasing power will be shared by the railroads of the country as a whole is self evident. Certainly Erie Railroad, operating over 2,300 miles, extending between New York and Chicago, and such important intermediate points as Buffalo, Cleveland, Youngstown, Akron and Cincinnati, should obtain better than average share of the resulting traffic volume. Although Erie is understood to be primarily a coal carrier, both anthracite and bituminous, it is interesting to note that manufactured goods account for only a little less than one-third of the tonnage, and only a little less than one-half of the dollar revenue. Preliminary reports for 1936 show gross revenues at approximately $85,000,000, and net earnings of about $2,200,000. These are 66% and 53%, respectively, of the gross revenues and net income reported in 1929 when the road earned for its common stockholders approximately $6 a share. While it is not intended to suggest that Erie will duplicate its former high record in the immediate future, it is nevertheless evident that given satisfactory conditions, the road can produce such earnings as would justify substantially higher prices for the stock. Obviously, the shares are very highly speculative in character and there is no basis upon which to encourage the hope for near-term dividend consideration, particularly in view of the financial statements which show an excess of current liabilities over current assets. There is, nevertheless, as you point out, a very definite basis upon which to hope for appreciation over current quotations in the market price of these shares during the year.

World Peace Hangs on 1937 Crops

(Continued from page 743)

and all of Ireland. The production of wheat is about one-fifth of her consumption. The soil is splendid for wheat but too much moisture makes it soft and under quality. Some 50 million people use about 6 bushels of wheat per capita per annum, say 290 million bushels; of the wheat so used imports run from 194 million to 241 million bushels.

England's bacon and eggs and marmalade are known as her breakfast year in and year out, varied by a kippered herring now and then. The market supply of bacon is under the control of the Pigs Board and the Bacon Marketing Board; there are import quotas for bacon coming from abroad. In 1936 we had an adjusted quota of 46.5 million pounds of cured pork. We shipped 39.2 million pounds. Calculating averages somewhat roughly the United Kingdom imports some 900 million pounds of bacon annually. December, 1936, prices ran from $17 for green sides to $20.50 for American green hams per hundred pounds.

It is evident that the United Kingdom must depend upon her allies in case of hostilities for her food supplies beyond such reserves as she may accumulate. There have been almost fantastic efforts to build up home production in pork, sugar, wheat and milk. Evidently, under pressure of re-arming, this policy is in process of partial abandonment.

The accompanying table gives a view of the world situation in wheat, and permits a comparison which shows our production of this staple to be equal to that of the three large exporters combined, the Argentine, Canada and Australia.

It is not intended to discuss possible hostilities and the world or various national food supplies from the standpoint of wheat alone, but other food items, save the minor grains in part, do not lend themselves to tabulation by national bureaus so adequately.

Perhaps in this matter of food supply at time of emergency, it might be well to realize how meat—pork, beef or mutton, is a luxury. Meat is grass and grain stored up to be consumed in another form, but of the original energy so consumed in bringing a pig to maturity or in feeding a herd of dairy cattle, there is returned but one-sixth thereof; in the item of roast beef, but one-eighteenth. Therefore, a nation's meat-eating proclivities bear directly upon the area which must be tilled and pastured. Acreage must be greatly increased if meat is to appear on tables twice a day, as compared with a vegetarian diet.

The agricultural outlook for our own farmers is more cheerful than for many months. The buying from abroad which is taking Canadian and Argentine wheat at rising prices, removes the much exaggerated bugaboo of surplus. Present stocks on hand if all passed into the hands of the buyers in the world market, United Kingdom, Germany and Italy, will not suffice to build up the reserves which these purchases are meant to set up.

Argentine wheat is mostly harvested in December, this year it is just an average crop. The yield was spotty and grain was damaged somewhat by rains during the harvesting and threshing season. The bidding of the European importing nations found a quick response in the Argentine. Her exports for the calendar year 1936 ran to 59,169,000 bushels. In January all records for wheat going out from the River Plate were broken by exports of 28,701,000 bushels. The Argentine carry over will be very light.

Australia's crop was unusual in its high quality. In ordinary years Australia's crop harvested in December runs around 140 million bushels exports around 100 million. As in the case of the Argentine. Australia has been a lively seller of wheat on the current rising market.

It is quite apparent now that Southern hemisphere exports will all be taken and the bidders still be in the market looking for wheat. We are quite obviously in one of those markets where delivery is felt to be of greater importance than price.

The situation has grown constantly more pronounced since last September. The world wheat carryover as of August 1, 1937, can be estimated as around 520 million bushels, less than half of the peak of 1934 and lower than any year since 1925. For the present the surplus bugaboo is effectually banished.

Federal crop experts estimate that total Winter and Spring wheat acreage will yield a harvest on 67,268,000 acres this year, compared to 48,820,000 acres last year and 1928-1932 average of 60,139,000 acres. This big increase appears justified and forecast of a carryover of 100 million bushels, as of July 1, next, holds no threat for the market.

It may be taken for granted that with crops and markets flourishing, farm interest in production control, ever normal granaries, crop insur-

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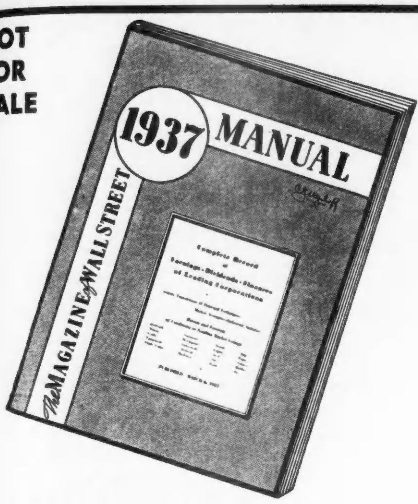

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ance and tenancy relief is going to languish correspondingly. Farmers may be interested in plans to control and regulate commodity exchanges. It is apparently true that the producer cannot arrive at a viewpoint that gives due credit to the middleman who carries the risk in the course of crop distribution.

Crop experts are inclined to give present crop conditions a very high mark, conceding average normal weather. There have been some snowfalls in the dust bowl country, snow is the prime factor to offset the tearing winds and the levitation of the light, dry, dusty top soil. Late snow with wheat growing under it is an ideal condition.

The advances in the price of cotton are causing some increase in "intentions to plant," but no such rush as to forecast any huge surplus, even with a good crop year. It is too early to get condition figures at home or abroad.

The renewed confidence of the farmer in his future is evidenced by the fertilizer sales which have risen from a depression low level of 3 million tons in 1931-32 to the estimated total for the current fertilizer year of 7.4 million tons. The use of chemical fertilizers is constantly entangled with proper crop rotation, the natural rebuilding of soil content, instead of the repeated dosage of nitrogen-potash-phosphate.

The immediate position of the farmer is too much of a squeeze for his comfort. On January 1, wheat on farms was 129 million bushels, a ten-year low. We had a small corn crop last year and more than half of the corn had been used by the turn of the year, when stocks on farms were figured at 810 million bushels, against 1,400 million bushels a year ago. Fat cattle are scarce. Pacific Coast citrus growers hurt by freezes. High prices for feed make the poultry yard something of a problem and have caused increased slaughter resulting in a record supply of poultry in cold storage. This condition has also had the same effect on both pork and beef.

Trusting to the good graces of the weatherman and praying that prices may keep up through the coming harvest time, the farmer here at home feels better than he has since the depression invaded the hinterland. The farmer has a good deal of relief coming to him aside from governmental efforts. He felt the depression first and now to come out of it must abide in patience until crops mature and livestock can be brought to marketable age and condition. It begins to appear that the farmer is to have a day. There is an old French proverb to the effect that everyone prospers when the peasant has gold. We may rely upon it that farm prosperity will be the best thing for all of us, though we may hope that the warlike spirit in the air abroad may be dissipated as the cupboards and granaries fill.

John Bull Goes Co-operative

(Continued from page 745)

Spokesmen for co-operative members characterize the movement as the most effective defense against the overthrow of the democratic form of government at the next general election. The party views with some alarm present consolidation of British industry for armament manufacture and foresees the possibility of a Tory right wing accepting and endeavoring under the guise of national necessity, to apply Fascist policy in the form practiced by the absolute dictators on the continent.

The intrinsic aims and objectives of the Co-operative movement are confusing and in some respects, contradictory. On the one hand, they adhere to the principles of private property, the payment of interest on capital investments, the distribution of savings arising from competitive trade. On the other hand, they denounce the capitalistic system for its failure to remove international trade restrictions or to ameliorate the distress of unemployment. They condemn the waste and inefficiency of private enterprise but at the same time fail to recognize the fact that without a competitive world market, the Co-operatives would be deprived of the earning capacity for the distribution of cash interest and discount payments to their members. Thus shorn of its protective political covering, the Co-operative movement is neither Communistic nor capitalistic, but a hybrid form of both, perhaps more accurately identified, to coin a term, as "collective Capitalism."

What Federal Power Means to Industry and Investors

(Continued from page 755)

Public Service subsidiary, which in turn is controlled by Stone & Webster. In addition, there is an assorted variety of smaller, privately-owned power interests in the territory. Possibly too far away to be affected are the properties of the California Oregon Power Co., Standard Gas, Electric subsidiary.

Industries Affected. Presumably in this class will be all the individuals and businesses that are currently to be found in the area served. In addition, there will be all those which, it is presumed will be attracted by cheap and abundant electric power. Something of a snarl has arisen already on this point. The Government evidently leans toward the theory that the available power should be distributed over relative wide areas at uniform rates. The stand seems to be favored by farmers and labor generally. On the other hand, there are those who believe that in order to attract new industries the rates within a comparatively narrow radius of Bonneville should be exceptionally low, gradually rising in ever widening circles in rough accord with the costs of transmission. Moreover, they point out that new industries will require contracts running longer than five years. However, in the long run what the Government wants undoubtedly will be the way the matter is settled and cynics will not find it hard to visualize a good many citizens in the outlying districts of Washington and Oregon obtaining their electricity partly subsidized by the general American taxpayer.

What are these new industries of which there has been so much talk of attracting? At the present time, both Oregon and Washington are mainly agricultural states. The farm output is diversified—grains, fruits, vegetables, cattle and sheep figure prominently. Lumbering and the manufacture of wood products also is most important. Fisheries are of considerable value, but have been declining. In Washington there is considerable coal and some also in Oregon. The non-ferrous metals,

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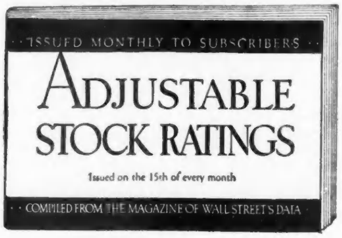

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gold, silver, copper, lead and zinc are more important than iron, although Oregon has the latter in commercial quantities. The population of the two states is under three million, all told. Even this very brief sketch shows that the territory is not without foundation for an increase in the demand for electric power, but one may well be skeptical about the time within which it can consume, *and pay the fair cost of*, the enormous amount that will be available within a brief few years.

This is the first of a series of three articles. The second will appear soon in a forthcoming issue.

Own Some Oils for Protection and Profit

(*Continued from page* 763)

Mid-Continent, Phillips, and Union Oil of California.

The international companies which make a considerable percentage of their income in foreign countries may be generally recommended. The threat of war in Europe is perhaps no greater than the threat of intolerable labor conditions within the United States. Perhaps you should follow the old formula of having your money divided between at least three countries to minimize losses through political convulsions in any one. Suitable companies for this purpose are Gulf Oil, Texas Corp., Socony Vacuum, Standard of California and Standard of New Jersey.

There are three companies listed on the Curb, which get all of their income from abroad and which can be recommended at present. Imperial Oil refines and markets in Canada and through International Petroleum produces, refines and markets in Peru and Colombia. Either of these companies is recommended for investment. Creole Petroleum, previously mentioned under producers, operates solely in Venezuela. Its crude resources are very large at present while its unproven possibilities are very great. Moreover its dividend may be increased at any time.

The problem of investment means much more than just the selection of good companies. There is the need of income. Some accounts must have secure income from the start, while others can wait for an expected increase in dividend. Thus a speculative investment in Socony in 1936 below 14 becomes a high yield investment in 1937. Every account has problems of its own.

Profit Possibilities in Convertibles

(*Continued from page* 765)

indicated for the current year should be reflected in further gains in both sales and earnings for the company and increased purchasing power in important industrial centers should be especially beneficial.

The value of the conversion feature is being currently reflected in the quoted prices for the preferred shares and at any level above 15 for the common, the market value for the preferred will be about twice that of the common. Still obtainable to yield better than 4%, Butler Brothers 5% preferred is an attractive vehicle for income and profit.

Otis Steel Convertible Preferred

Although Otis Steel 5½% convertible preferred shares are not of high grade investment caliber, in the present setting, at least, this condition is compensated for by the generous yield and the speculative possibilities attaching to their conversion feature. The 5½% preferred shares were issued late last year in connection with a plan of recapitalization to discharge accumulated arrears in dividends on the old 7% preferred stock. The conversion privilege provides that each share of preferred may be exchanged for four shares of common stock until March 15, 1938; into three shares until March 15, 1940; and into 2½ shares of common until March 15, 1946.

Operations of Otis Steel embrace all major activities of the steel industry from the production of raw materials to the fabrication of finished products. Output, however, is largely the lighter forms of steel, such as sheet and strip used in the manufacture of automobiles, electric refrigerators, etc. For this reason, the months ahead may not produce the same impetus to the company's earnings as is expected of companies producing the heavier types of steel. Nevertheless demand promises to expand and with the benefit of higher prices, the company should be able to cover fixed charges and preferred dividends by a good margin. The outlook for the common, while speculative, is not without sufficient promise to suggest that the convertible feature for the preferred shares may become increasingly valuable.

Last year Otis Steel reported earnings equal to $1.31 a share on the 891,130 shares of common stock, a decline from $1.69 a share earned in 1935. The decline last year was principally the result of sharply increased taxes. Financial position at the close of last year was comfortable.

Early this year the company issued $15,000,000 4½% first mortgage bonds, utilizing the proceeds to retire $10,827,500 6% bonds and for additions to plant designed to add to producing efficiency and broaden diversification of company's output. These new bonds comprise the entire funded debt ahead of the 128,327 shares of 5½% preferred stock.

Paper Stages a Recovery

(*Continued from page* 771)

circumstances favor a continuation of this encouraging condition.

The Titan of the paper industry is newsprint; a Prometheus bound since the advent of the depression by rigid operating costs, inflexible interest charges and an arbitrarily fixed level of prices. Deficits, defaults and dividend omissions describe the story of leading newsprint companies between 1929 and 1935. Effective capacity of mills is determined by price; low prices cut out high cost producers while the more favorably situated manufacturers fight for tonnage to meet interest on bonded indebtedness. In 1933 newsprint reached $40 a ton, still an unprofitable level for every one concerned. It rose to $41 in 1936, then to $42.50, contract price for 1937.

As an indication of prevailing conditions in the newsprint industry, representative figures of one of the largest Canadian companies are re-

vealing insofar as actual and potential earnings are concerned. During 1936 the mill price, including labor and raw material amounted to $33.21 of which $2.11 constituted administrative and selling expenses, $25.21 manufacturing costs, leaving a gross profit of $5.89 before interest charges. After meeting such charges it is doubtful whether this or any other Canadian mill operated under the most favorable conditions at one hundred per cent capacity during the full twelve months' period, will show any profit on junior securities on the base contract price of 1937.

From a longer range viewpoint demand is of primary importance. In this respect the chief factors are; rate of newspapers circulation and advertising. Circulation is relatively stable, now 5% above the previous high. Advertising linage fell 40% from the 1929 peak but has already regained 29% of this loss. With a further advance in general business indicated, advertising linage should show continued gains during the year thus permitting maintenance of near capacity output at the 1938 contract price of $50 per ton or a gain of 40 million dollars from sales on the 1936 level—approximately 50 million if total effective capacity is attained.

The new newsprint price also affords adequate protection against prospective higher operating costs and injects the possibility of enlarging the volume of transactions on the spot market—now of negligible proportions. Removal of the rigid contract system, will depend on the bargaining strength of such powerful purchasers as Scripps-Howard and Hearst Beaverbrook and Rothermere whose efforts combined with the American Newspaper Publisher Association succeeded in squeezing the differential in the 1938 mark up from 2.50 to 7.50 dollars per ton.

The securities of paper companies in all divisions of the industry, now in a stronger position than at any time during the past 8 years, approach a predepression status. Continued recovery in earnings is anticipated for Kraft manufacturers for the current year, and probably well through 1938, and for newsprint enterprises beginning with 1938. Such companies as International Paper, Crown Zellerbach and Meade Corp. which produce all type and grades of paper afford to the investor a measure of diversification to offset any fluctuations in demand which may develop. In many cases, especially in the container field, represented by such companies as Sutherland Paper, Union Bag & Paper and Robert Gair, present share prices have discounted near term improvement whereas such companies as Abitibi Paper and Power and Consolidated Paper which still have a preponderance of idle equipment and St. Regis with its prominent participation in United Corporation offer more speculative attractions.

Can Consumers Absorb Higher Prices Today?

(Continued from page 740)

since supply depends so largely upon the variable and unpredictable factor of weather. Even should there be a recurrence of devastating drought in the "dust bowl," however, average weather in other sections should mean a substantial increase in total farm production, due to generally enlarged plantings. There is nothing like a favorable price level to stimulate increased acreage. Should no drought occur or should drought be less widespread and destructive than in recent years, crops would be proportionately larger.

On the whole, the chances appear to be that unit exchange value of farm products will experience no such gain this year as last, both because the 1937 farm price outlook, on the average, is less bullish and because increase in prices of manufactured goods will almost certainly exceed that of last year by a substantial degree. It should be noted, however, that unit exchange value is not a true index of farm purchasing power. If this index remained at the present level through the year, larger crops would mean larger purchasing power. Indeed, even moderate decline in unit exchange value of farm products, could be offset by larger crops. A better index would be cash farm income adjusted to living cost.

There remains to be considered investor income and purchasing power. Dividends distributed last year are estimated at $3,360,000,000, an increase of about 50 per cent over 1935. This is, of course, a very large addition to real incomes of the re-

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Name and Dividend	1937 Price Range High	Low	Recent Price
Alum. Co. of Amer.	177½	146	173
Amer. Cyanamid B (†.60)	35⅞	30½	30½
Amer. Gas & Elec. (1.40)	48¾	36¾	37¼
Amer. Lt. & Tr. (†1.20)	26⅛	21⅛	21¼
Amer. Superpower	3	2⅛	2⅛
Assoc. Gas & Elec. "A"	5⅛	3⅛	3¾
Cities Service	5⅜	4	4⅜
Cities Service Pfd.	60	47¾	50¼
Colum. Oil & Gas (†.20)	10⅞	7½	9
Commonwealth Edison (†4)	139	118¼	121
Consol. Aircraft	33¾	22¼	29¾
Consol. Copper	10¼	7¾	8¾
Consol. Gas Balt. (3.60)	89⅛	76½	79⅛
Creole Petroleum (‡.50)	38	31⅞	32
Eagle Picher Lead (*.10)	27⅞	20⅜	22¾
Elec. Bond & Share	28⅛	21⅝	23⅝
Elec. Bond & Share Pfd. (5)	80	71¼	75
Ex-Cell-O A. & T. (*.20)	27⅝	18¾	25
Ford Mot. of Can. "A" (1)	29¾	22¼	25
General Tire	38½	18⅜	36½
Glen Alden Coal (†1)	15	12	12⅞
Gulf Oil of Pa. (*.25)	63½	56	56⅞
Hudson Bay M. & S. (1)	42	32⅛	36⅜
Humble Oil (1.50)	87	77½	82½
Imperial Oil (†.50)	24¼	21	23⅜
Iron Fireman (1.20)	27¼	23¼	24⅛
Jones & Laughlin	126¼	90⅝	120
Lake Shore Mines (†4)	59½	55⅛	56½
Molybdenum	11	9	9¼
National Bell Hess	3½	2½	2½
National Sugar Ref. (2)	28	25	26
New Jersey Zinc (†2)	94⅞	78	89
Newmont Mining (*.75)	135¾	120	123
Niagara Hudson Pwr.	16⅞	13⅛	14¼
Niles-Bement-Pond (*.50)	51	41¾	41¾
Pan-Amer. Airways (†1)	75½	59¾	68⅜
Pantepec Oil	9⅝	6¼	6⅜
Penroad (‡.25)	5⅜	4½	5
Pepperel Mfg. (†6)	147¾	129½	130
Pitts. Pl. Glass (*1)	147½	125	138
Sherwin-Williams (4)	154¾	133	151½
South Penn Oil (†1.50)	48	44	46
United Gas	13⅝	9⅝	11¾
United Lt. & Pw. "A"	11⅜	8	8⅜
United Lt. & Pw. cv. Pf. Cl. "A"	75⅞	56½	58

* Paid this year.
† Annual rate—not including extras.
‡ Paid last year.

cipients. In relation to trade volume, however, this is far less important than so-called labor income, because it amounted to only 5.6 per cent of last year's estimated national income, because a much larger proportion of it goes into savings and re-investment than is true of labor income and because the figure is a gross, rather than net, amount in that a very big chunk of it is already earmarked for the income tax collectors, local and Federal. The total, incidentally, is not much more than half that of 1929. It is likely to be larger this year and if present rate of business activity is maintained without important or lengthy setback possibly can approach 75 per cent of the 1929 figure.

Against this, bond interest for the year is believed to have fallen slightly under $4,000,000,000, due largely to numerous refunding operations. It need hardly be said that that portion of the national income which is derived from bond interest is losing purchasing power.

Well then, what does all this mean in relation to the business outlook? Can consumers absorb higher prices? The answer, in our opinion, is that they can and will—unless the cost of living increases much faster than we think it will. The reason for this optimistic conclusion is that what people spend does not depend entirely on what they get in the weekly pay envelope or the precise amount of goods and services it will buy. It also depends to a considerable extent upon their state of mind.

It is a fact that the real wages of a substantial number of consumers are actually lower today than they were in 1932 at the bottom of the depression, since among many who were employed throughout the depression incomes have not risen as much since 1932 as has the cost of living—but these people were scared to death in 1932 and pinched every quarter until the eagle screamed. What consumers spend depends not only on how well off they are but how well off they *think* they are. Moreover, it also depends not alone on the pay envelope but on their willingness to anticipate income by buying on credit.

Installment buying today is at record high levels, most everybody is hopeful—and it will take more than a moderate shrinkage in purchasing power of current income to bring on a consumers' strike such as that of 1920. Meanwhile it is possible that enlarged production or repressive steps by the Government or both may put a brake on prices before some irreparable damage is done.

In the past the dangers of price inflation have usually not been recognized or highly publicized in the press until the fat was in the fire. Today, with prices still 14 per cent under the 1926 level and far under the post-war peak of 1919-1920, everybody is talking about a runaway rise in the cost of living. A future calamity that everybody warns against usually doesn't happen or, if it does, seldom is as bad as was feared. Watch out for something that nobody has warned you against!

Bank, Insurance and Investment Trust Stocks

ACTIVE ISSUES

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bankers (2)	77	79
Bank of Manhattan (1½)	36	38
Bank of N. Y. & Trust (14)	516	*522
Central Hanover (4)	139	142
Chase (1.40)	59	61
Chemical (1.80)	74½	76½
City (1)	54½	56½
Corn Exchange (3)	70	71
First National (160)	2460	2500
Guaranty (12)	365	370
Irving Trust (.60)	18	19
Manufacturers (2)	62½	64½
New York (5)	149	*152
United States Trust (†70)	1980	*2030

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (1.60)	51¼	53¼
Aetna Life (†1.10)	31	33
Am. Surety (2½)	59¼	61¼
Fireman's Newark	12¾	14¼
Glens Falls (1.60)	46	48
Globe & Rutgers	74	77
Great American (†1.20)	28½	30
Hanover F. (1.60)	37¾	39¾
Hartford Fire (2)	72¼	74¼
Home (†1.15)	40¼	42¼
Ins. Co. of North America (†2½)	67¼	68¾
Maryland Casualty	7¼	8
National Fire (2)	65	67
Phoenix (†2½)	91½	95½
Sun Life Can. (3¾)	650	700
Travelers (16)	490	500
United States Fire (†2½)	55½	57½
Westchester F. (†1.30)	35½	37½

INVESTMENT TRUST SHARES

	Bid	Asked
Amerex Corp	31¾	33½
Brit. Type Investors	.73	.93
Bullock Fund	23½	25¼
Corporate Trust—AA	3.77	....
Fidelity Fund	29.00	31.24
Incorporated Investors	27.32	....
Maryland Fund	10.43	11.40
Massachusetts Invest	30.15	31.99
Nation-wide Securities B	4.82	4.92
No. Amer. Trust Shares 1958	3.39	....
Quarterly Income Shares	18.85	20.65
Spencer Trask Fund	22.49	23.19
Uselps Voting Shares	1.08	1.16

† Includes extras. * Ex. dividend.

Happening in Washington

(*Continued from page* 753)

"propaganda" efforts may be subjected to another Federal Trade Commission investigation.

Trade agreements program will not expand rapidly in spite of three-year renewal just voted by Congress. State Department has used up all the "easy" countries, and next in line—England, Argentina, Italy, Spain—have many difficulties attendant. But slow and steady progress is promised.

Third term for Roosevelt is much discussed since he himself raised the subject by none too conclusive reference to his "successor." (A man may be his own successor.) Recalling Coolidge's mystic "I do not choose to run," observers think Roosevelt would consent to being "drafted."

School subsidies to states now being discussed as necessary and proper Federal expenditure, suggesting that states' rights may eventually be bought off and that Government will be able to shift back to states the many formerly local burdens it has half-shouldered—roads, relief, public works, etc.

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